

# **ADAIR COUNTY JAIL TRUST AUTHORITY**

## **FINANCIAL STATEMENTS**

## **AND AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2016**

# TABLE OF CONTENTS

Independent Auditor's Report	1
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Report on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Adair County Jail Trust Authority  
Stilwell, Oklahoma

I have audited the accompanying balance sheet of the Adair County Jail Trust Authority as of June 30, 2016, and the related statement of revenue, expenses, and changes in net position, and cash flow for the year then ended, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Adair County Jail Trust Authority as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 operations, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, I have also issued my report dated November 9, 2016, on my consideration of Adair County Jail Trust Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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* in considering Adair County Jail Trust Authority's internal control over financial reporting and compliance.



Michael Green  
Certified Public Accountant

November 9, 2016

ADAIR COUNTY JAIL TRUST AUTHORITY  
BALANCE SHEET  
JUNE 30 2016

ASSETS

CURRENT ASSETS

Cash	\$ 358,048
Receivables	162,492
Total Current Assets	<u>520,540</u>

RESTRICTED ASSETS

Restricted Cash	118,463
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PROPERTY AND EQUIPMENT

Land	70,975
Buildings	2,928,694
Furniture, Fixtures, and Equipment	146,879
Total Fixed Assets	<u>3,146,548</u>

Less Accumulated Depreciation	<u>(1,103,442)</u>
Net Property and Equipment	<u>2,043,106</u>

Total Assets	<u><u>\$ 2,682,109</u></u>
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LIABILITIES & NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 76,415
Interest Payable	3,909
Current Portion of Long Term Debt	48,032
Total Current Liabilities	<u>128,356</u>

LONG TERM LIABILITIES

Note Payable - Rural Development	1,537,214
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NET POSITION

Restricted Net Position	118,463
Unrestricted Net Position	444,125
Invested in Capital Assets, Net of Related Debt	453,951
Total Net Position	<u><u>1,016,539</u></u>

ADAIR COUNTY JAIL TRUST AUTHORITY  
 STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDING JUNE 30, 2016

REVENUE		
Sales Tax	\$	971,177
Other Revenue	\$	20,440
Total Revenue		<u>991,617</u>
OPERATING EXPENSES		
Jail Operating Contract		700,000
Repairs		7,387
Professional Fees		3,350
Depreciation		73,367
Insurance		10,507
Total Operating Expenses		<u>794,611</u>
Operating Income		<u>197,006</u>
NON-OPERATING REVENUE (EXPENSE)		
Interest Expense		(72,354)
Interest Income		523
Total Non-Operating Income		<u>(71,831)</u>
Net Position - Beginning of Year		891,364
Excess of Revenues Over Expenses		<u>125,175</u>
Net Position- End of Year	\$	<u><u>1,016,539</u></u>

The accompanying notes are an integral part of these financial statements

ADAIR COUNTY JAIL TRUST AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDING JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Sales Tax	\$ 988,915
Cash Paid for Jail Operations	<u>(645,507)</u>
Net Cash Provided by Operations	<u>343,408</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	523
Capital Expenditures	<u>(6,000)</u>
Net Cash used in Investing Activities	<u>(5,477)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Interest Expense	(72,354)
Payments of Notes Payable	<u>(45,961)</u>
Net Cash Provided in Operating Activities	<u>(118,315)</u>

Net Increase in Cash and Cash Equivalents	219,616
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Cash and Cash Equivalents at Beginning of Year	<u>138,432</u>
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Cash and Cash Equivalents at End of Year	<u><u>\$ 358,048</u></u>
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Reconciliation of Operating Income to Net Cash

Provided by Operating Income	
Net Income	\$ 197,006
Adjustments to Reconcile Operating Income to Net Cash	
Depreciation	73,367
Increase in Receivables	(2,702)
Decrease in Accounts Payable	<u>75,737</u>
Net Cash Provided by Operating Activities	<u><u>\$ 343,408</u></u>

**ADAIR COUNTY JAIL TRUST AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. GENERAL***

Under the provision of the Oklahoma Trust Act, the Adair County Jail Trust Authority (hereinafter referred to as the "Authority") was established March 12, 1996, for the purpose of promoting the establishment and maintenance of an effective corrections and detention system which will enhance the preservation of the welfare and safety of the residents of the county. The authority is governed by a board of trustees, which include the Chairman of the Board of the County Commissioners, the County Sheriff, and three appointed trustees.

***B. REPORTING ENTITY***

The Adair County Jail Trust Authority is a component unit of Adair County and for the purpose of this report is considered to be a proprietary fund. A proprietary fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the governmental unit (internal service funds).

***C. BASIS OF ACCOUNTING***

Basis of Accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of Accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements of the ("Authority") record revenue when cash is appropriated and expenses are recorded in the period in which encumbrances are made. The financial statements have been adjusted at year-end to reflect the accrual basis of accounting, revenues are recognized when they are measurable and susceptible to accrual and expenses are recognized when they are incurred, in accordance with accounting principles generally accepted in the United States of America.

***D. PROPERTY, PLANT, AND EQUIPMENT*** Depreciation is provided in the-Trust Fund in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed on the straight-line method.

Those rates are as follows:	Rates
Buildings	2.5%
Furniture, Fixtures, and Equipment	20%



One of the primary purposes for the establishment of the Adair County Jail Trust Authority was for the construction of a new jail facility. The amounts disclosed in the financial statements represent the construction costs of this facility. Depreciation has been recorded in relation to this asset, starting March 6, 2003, the occupancy date.

#### ***E. INVENTORY AND PREPAID EXPENSES***

Supplies purchased are consumed in operations and expensed as incurred. As of June 30, 2016 There were no Prepaid Expenses.

#### ***F. CASH AND INVESTMENTS***

The Authority's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies; collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. For the purposes of the statement of cash flows, the Authority considers all cash on hand, demands deposits and highly liquid investments, with an original maturity of twelve months or less when purchased, to be cash and cash equivalents.

#### ***Deposit Categories of Credit Risk***

(A) Insured or collateralized with securities.

(B) Collateralized with securities held by the pledging financial institutions trust department.

(C) Uncollateralized.

	<u>Category</u>			Bank	Carrying
	(A)	(B)	(C)	Balance	Amount
Cash	250,000	0	226,510	\$476,510	\$476,510

#### ***G. LONG TERM DEBT***

At the balance sheet date of June 30, 2016, there was long-term debt of \$1,585,246 (See Note 3).

#### ***H. INCOME TAXES***

The Authority is a political subdivision of Adair County organized under the laws of the State of Oklahoma and is not subject to Federal or State income taxes.

#### ***I. BUDGETS***

The Adair County Jail Trust is required to legally adopt a formal operating budget as required by State Statute.

***J. SALES TAX REVENUE***

The Authority's major source of revenue is a sales tax of one-half of one percent (1/2%) upon the gross proceeds or gross receipts derived from all sales or services in the County of Adair, State of Oklahoma, upon which a consumer's sales tax is levied by the State of Oklahoma.

There was an election held during the last fiscal year that gives the Authority another one-half of one percent starting in this fiscal year.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results differ from those estimates.

**NOTE 2: CONTINGENCIES**

None.

**NOTE 3: NOTE PAYABLE**

The note payable as of June 30, 2016, represents a Community Facilities Loan, in the amount of \$2,150,000.00, provided by the Department of Agriculture (Rural Housing Service), to be used for the construction, acquisition, and equipping of criminal justice facilities in Adair County, Oklahoma. The balance at June 30, 2016, is \$1,585,246 with no remaining un-advanced funds. Interest is being charged at 4.50%, payable interest only for the first two years and thereafter monthly installments of \$9,869.00. The note is secured by the 1/2 percent sales tax levied by the State of Oklahoma upon gross proceeds or gross receipts from all sales or services in Adair County.

Schedule of Maturity for the next five years and in five year increments after that are as follows:

	Principal	Interest
Current Portion	48,032	70,396
2018	50,238	68,190
2019	52,546	65,882
2020	54,786	63,642
2021	57,477	60,951
2021-2025	329,345	262,795
2026-2030	412,306	179,833
2031-2035	516,156	75,983
2036-2040	64,360	926
Total	<u>\$ 1,585,246</u>	<u>\$ 848,598</u>

At June 30, 2016, the fair value of the note payable approximates the amounts recorded in the financial statements.

#### **NOTE 4: PROPERTY AND EQUIPMENT**

Property, plant and equipment are stated at their historical cost. The following table summarizes all additions and/or deletions to fixed assets over the current year:

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Land	\$ 70,975	-	-	\$ 70,975
Buildings	2,928,694	-	-	2,928,694
Furniture, Fixtures and Equipmen	140,879	6,000	-	146,879
Accumulated Depreciation	(1,030,075)	(73,367)	-	(1,103,442)
Net Property and Equipment	<u>\$ 2,110,473</u>	<u>(67,367)</u>	<u>-</u>	<u>\$ 2,043,106</u>

#### **NOTE 5: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the Auditor's report.

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

Board of Trustees  
Adair County Jail Trust Authority  
Stilwell, Oklahoma

I have audited the balance sheet of the Adair County Jail Trust Authority as of June 30, 2016, and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and have issued my report thereon dated November 09, 2016. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Adair County Jail Trust Authority's (the Authority) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.


A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Adair County Jail Trust Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Michael Green, CPA  
November 09, 2016