

ADAIR COUNTY JAIL TRUST AUTHORITY
FINANCIAL STATEMENTS
AND AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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MICHAEL W. GREEN
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Adair County Jail Trust Authority
Stilwell, Oklahoma

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of business-type activities and each major fund of the Adair County Jail Trust Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Emphasis of Matter

As discussed in Note A, the financial statements present only the Adair County Jail Trust Authority and do not purport to, and do not, present fairly the financial position of Adair County, as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

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 operation, 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 September 28, 2022, on my consideration of the 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 solely 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 effectiveness of the Authority's 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 the Authority's internal control over financial reporting and compliance.

Best Regards,

A handwritten signature in black ink, appearing to read "Michael Green", with a stylized, cursive script.

Michael Green
Certified Public Accountant
Stilwell, OK

September 28, 2022

ADAIR COUNTY JAIL TRUST AUTHORITY
STATEMENT OF NET POSITION
JUNE 30 2022

ASSETS

CURRENT ASSETS

Cash	\$ 814,881
Receivables	239,735
Total Current Assets	<u>1,054,616</u>

RESTRICTED ASSETS

Restricted Cash	118,477
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PROPERTY AND EQUIPMENT

Land	70,975
Buildings	2,928,694
Furniture, Fixtures, and Equipment	236,368
Total Fixed Assets	<u>3,236,037</u>
Less Accumulated Depreciation	<u>(1,594,971)</u>
Net Property and Equipment	<u>1,641,066</u>

Total Assets	<u><u>\$ 2,814,159</u></u>
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LIABILITIES & NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 400
Interest Payable	3,111
Current Portion of Long Term Debt	61,092
Total Current Liabilities	<u>64,603</u>

LONG TERM LIABILITIES

Note Payable - Rural Development	1,200,502
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TOTAL LIABILITIES	<u>1,265,105</u>
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NET POSITION

Invested in Capital Assets	379,472
Restricted	118,477
Unrestricted	1,051,105
Total Net Position	<u>1,549,054</u>

Total Liabilities and Net Position	<u><u>\$ 2,814,159</u></u>
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The accompanying notes and auditors report are an integral part of these financial statements.

ADAIR COUNTY JAIL TRUST AUTHORITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDING JUNE 30, 2022

REVENUE		
Sales Tax		\$ 1,402,431
	Total Revenue	<u>1,402,431</u>
OPERATING EXPENSES		
Jail Operating Contract		840,000
Professional Fees		16,350
Depreciation		86,249
Medical Expenses		117,227
Insurance		13,146
	Total Operating Expenses	<u>1,072,972</u>
	Operating Income	<u>329,459</u>
NON-OPERATING REVENUE (EXPENSE)		
Interest Expense		(58,105)
Interest Income		643
	Total Non-Operating Income	<u>(57,462)</u>
	Change in Net Postion	271,997
	Net Position - Beginning of Year	1,277,057
	Net Position - End of Year	<u>\$ 1,549,054</u>

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

ADAIR COUNTY JAIL TRUST AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From Sales Tax	\$ 1,393,574
Cash Paid for Jail Operations	(996,755)
Net Cash Provided by Customers	<u>396,819</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	643
Net Cash Provided (used) by Investing Activities	<u>643</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Interest Expense	(58,253)
Payments of Notes Payable	(60,175)
Net Cash (Used) Provided by Financing Activities	<u>(118,428)</u>

Net Increase in Cash and Cash Equivalents	279,034
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Cash and Cash Equivalents at the Beginning of the Year	<u>654,324</u>
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Cash and Cash Equivalents at the End of the Year	<u><u>\$ 933,358</u></u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH

Provided by Operating Income	
Operating Income	\$ 329,459

Adjustments to Reconcile Operating Income to Net Cash

Depreciation	86,249
(Increase) Decrease in Accounts Receivable	(8,857)
Increase (Decrease) in Accounts Payable	(10,032)

Net Cash Provided by Operating Activities	<u><u>\$ 396,819</u></u>
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The accompanying notes and auditors report are an integral part of these financial statements.

ADAIR COUNTY JAIL TRUST AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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. FIXED ASSETS: 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. The following is a summary by category of changes in property and equipment:

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022
Land	\$ 70,975	-	-	\$ 70,975
Buildings	2,928,694	-	-	2,928,694
Furniture, Fixtures and Equipment	236,368	-	-	236,368
Accumulated Depreciation	(1,508,722)	(86,249)	-	(1,594,971)
Net Property and Equipment	<u>\$ 1,727,315</u>	<u>(86,249)</u>	<u>-</u>	<u>\$ 1,641,066</u>

E. INVENTORY AND PREPAID EXPENSES

Supplies purchased are consumed in operations and expensed as incurred. As of June 30, 2022, 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 90 days 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.

	Category			Bank	Carrying
	(A)	(B)	(C)	Balance	Amount
CASH	\$ 814,881			814,881	\$ 814,881
RESTRICTED CASH	118,477			118,477	118,477
	<u>\$ 933,358</u>	<u>-</u>	<u>-</u>	<u>933,358</u>	<u>\$ 933,358</u>

G. LONG TERM DEBT

At the balance sheet date of June 30, 2022, there was long-term debt of \$1,261,594 (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 percent (1%) 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.

The initial sales tax of one half of one percent was passed by the voters of Adair County on September 17, 1996. On April 1st of 2014 the voters of Adair County voted to pass an additional tax of one half of one percent for a total sales tax of 1% to fund the operations of the Adair County Jail Trust Authority.

K. USE OF ESTIMATES

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, 2022, 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, 2022, is \$1,261,594 with no remaining available to draw funds. Interest is being charged at 4.5%, payable interest only, for the first two years and thereafter monthly installments of \$9,869. 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.

Type of Debt	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022	Amount Due in One Year
Business Type Activities					
USDA Loan 2,150,000	\$ 1,321,769	-	(60,175)	1,261,594	\$ 61,092
Total Business Type Activities	<u>\$ 1,321,769</u>	<u>-</u>	<u>(60,175)</u>	<u>1,261,594</u>	<u>\$ 61,092</u>

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

	Principal	Interest
Current Portion	<u>\$ 61,092</u>	<u>\$ 57,336</u>
2024	63,992	54,435
2025	67,030	51,398
2026	70,212	48,215
2027	73,545	44,882
2028	77,037	41,391
2029-2033	443,638	148,500
2034-2038	<u>405,048</u>	<u>36,922</u>
	1,200,502	425,743
Total	<u>\$ 1,261,594</u>	<u>\$ 483,079</u>

NOTE 4: SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 28, 2022, which is the date the financial statements were available to be issued.

NOTE 5- UNCERTAINTIES

During March 2020, the World Health Organization declared a pandemic with the outbreak of the COVID-19 and declared a “Public Health Emergency of International Concern”. The U.S. Government and local governmental authorities implemented procedures to attempt to contain the virus and lessen its impact. The spread of this virus has caused business interruptions that are expected to continue for the foreseeable future. The extent of the impact of COVID-19 on the Organization’s operational and financial performance has not yet been determined. As such, these financial statements do not include any adjustments that might result from the outcome of this uncertainty.

MICHAEL W. GREEN
Certified Public Accountant
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STILWELL, OK. 74960
(918) 696-6298

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, in accordance with the 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, the financial statements of the business-type activities and major fund of Adair County Jail Trust Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated September 28, 2022.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control.

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 Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority's financial statements are free from 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 financial statements. 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 or other matters 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Best Regards,

A handwritten signature in black ink, appearing to read 'Mike Green', with a large, stylized 'G'.

Michael Green
Certified Public Accountant
Stilwell, OK

September 28, 2022