

**ADAIR COUNTY JAIL TRUST AUTHORITY
(A COMPONENT UNIT OF ADAIR COUNTY, OKLAHOMA)**

**ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2023

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MICHAEL W. GREEN
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Adair County Jail Trust Authority
Stilwell, Oklahoma

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the business-type activities and each major fund of the Adair County Jail Trust Authority (the Authority), a component unit of Adair County, Oklahoma, as of and for the year ended June 30, 2023, 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 financial position of the Authority as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

Emphasis of Matter

As discussed in Note 1A, the financial statements present only the Authority and do not purport to, and do not, present fairly the financial position of Adair County, Oklahoma, as of June 30, 2023, 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 opinion. 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 November 16, 2023, 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.

Regards,



Michael Green, CPA
Stilwell, Oklahoma
November 16, 2023

**ADAIR COUNTY JAIL TRUST AUTHORITY
(A COMPONENT UNIT OF ADAIR COUNTY, OKLAHOMA)
STATEMENT OF NET POSITION
JUNE 30, 2023**

ASSETS

CURRENT ASSETS	
Cash	\$ 1,163,950
Accounts Receivable	255,356
Total Current Assets	1,419,306
 RESTRICTED ASSETS	
Restricted Cash	118,598
 PROPERTY AND EQUIPMENT	
Land	70,975
Building	2,928,694
Equipment	236,368
Accumulated Depreciation	(1,676,755)
Net Property and Equipment	1,559,282
Total Assets	\$ 3,097,186

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts Payable	200
Interest Payable	2,997
Current Portion of Long-Term Debt	\$ 63,992
Total Current Liabilities	67,189
 NON CURRENT LIABILITIES	
Note Payable - Rural Development	1,134,662
Total Non-Current Liabilities	1,134,662
Total Liabilities	1,201,851
 NET POSITION	
Net Investment in Capital Assets	357,631
Restricted Net Position	118,598
Unrestricted Net Position	1,419,106
Total Net Position	1,895,335
Total Liabilities and Net Position	\$ 3,097,186

The accompanying notes and auditor's report are an integral part of these statements.

**ADAIR COUNTY JAIL TRUST AUTHORITY
(A COMPONENT UNIT OF ADAIR COUNTY, OKLAHOMA)
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

Revenues:	
Sales Tax	\$ 1,429,401
Total Operating Income	1,429,401
Operating Expenses:	
Jail Operating Contract	810,000
Professional Fees	18,347
Depreciation	81,785
Medical	121,905
Total Operating Expenses	1,032,037
Operating Income (Loss)	397,364
Non-Operating Income (Expense):	
Interest Revenue	4,091
Interest (Expense)	(55,174)
Total Non-Operating Income (Expense)	(51,083)
Change in Net Position	346,281
Net Position, Beginning of Year	1,549,054
Net Position, End of Year	\$ 1,895,335

The accompanying notes and auditor's report are an integral part of these statements.

ADAIR COUNTY JAIL TRUST AUTHORITY
(A COMPONENT UNIT OF ADAIR COUNTY, OKLAHOMA)
STATEMENT OF CASH FLOWS
June 30, 2023

Cash Flows from Operating Activities	
Cash Received from Adair County	\$ 1,413,780
Cash Paid to Suppliers	<u>(950,567)</u>
Net Cash Provided by Operations	463,213
Cash Flows from Capital and Related Financing Activities	<u>(117,993)</u>
Net Increase(Decrease) in Capital Debt	(117,993)
Cash flows from Investing Activities	
Interest income	<u>3,970</u>
Net Cash Provided by Investing Activities	<u>3,970</u>
Net Increase (Decrease) in Cash	349,190
Cash at Beginning of Year	<u>933,358</u>
Cash at End of Year	<u><u>\$ 1,282,548</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 397,364
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	81,785
(Increase) Decrease in Accounts Receivable	(15,621)
(Increase) Decrease in Accounts Payable	<u>(315)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 463,213</u></u>

The accompanying notes and auditor's report are an integral part of these statements.

**ADAIR COUNTY JAIL TRUST AUTHORITY
(A COMPONENT UNIT OF ADAIR COUNTY, OKLAHOMA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

Under the provision of the Oklahoma Trust Act, the Adair County Jail Trust Authority (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 Authority is a component unit of Adair County, Oklahoma 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. The 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 recognized by the Authority that is 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:
Building	2.5%
Furniture, Fixtures, and Equipment	20%

One of the primary purposes for the establishment of the 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:

	Beginning Balance June 30, 2022	Additions	Deletions	Ending Balance June 30, 2023
Equipment	\$ 236,368	\$ -	\$ -	\$ 236,368
Building	2,928,694	-	-	2,928,694
Land	70,975	-	-	70,975
Total Depreciable Assets	<u>3,236,037</u>	<u>-</u>	<u>-</u>	<u>3,236,037</u>
Accumulated Depreciation	<u>(1,594,970)</u>	<u>(81,785)</u>	<u>-</u>	<u>(1,676,755)</u>
Total Net Fixed Assets	<u>\$ 1,641,067</u>	<u>\$ (81,785)</u>	<u>\$ -</u>	<u>\$ 1,559,282</u>

E. INVENTORY AND PREPAID EXPENSES

Supplies purchased are consumed in operations and expensed as incurred. As of June 30, 2023, 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.

	<u>Category</u>		Carrying
	(A)	Bank Balance	Amount
Cash	\$ 1,163,950	\$ 1,163,950	\$ 1,163,950
Restricted Cash	118,598	118,598	118,598
	<u>\$ 1,282,548</u>	<u>\$ 1,282,548</u>	<u>\$ 1,282,548</u>

G. LONG TERM DEBT

At the balance sheet date of June 30, 2023, there was long-term debt of \$1,134,662 (See Note 2).

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 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: NOTE PAYABLE

The note payable as of June 30, 2023, represents a Community Facilities Loan, in the amount of \$2,150,000, 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, 2023, is \$1,198,654 with no remaining funds to show. 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 6/30/2022	Additions	Reductions	Balance 6/30/2023	Amount Due Within One Year
Business Type Activities:					
USDA Loans	1,261,594	-	(62,940)	1,198,654	63,992
Total Business Type Activities:	<u>\$ 1,261,594</u>	<u>\$ -</u>	<u>\$ (62,940)</u>	<u>\$ 1,198,654</u>	<u>\$ 63,992</u>

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

June 30,	Principal	Interest
2024	\$ 63,992	\$ 54,436
2025	67,030	51,398
2026	70,212	48,216
2027	73,545	44,883
2028	77,037	41,391
2029-2033	443,639	148,501
2034-2037	403,198	36,922
	<u>\$ 1,198,654</u>	<u>\$ 425,746</u>

NOTE 3: SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 16, 2023, which is the date the financial statements were available to be issued.

MICHAEL W. GREEN
Certified Public Accountant

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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*

To the 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 each major fund of Adair County Jail Trust Authority (the Authority), a component unit of Adair County, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority basic financial statements, and have issued my report thereon dated November 16, 2023.

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 the 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.

Regards,

A handwritten signature in black ink, appearing to read "Mike Green". The signature is stylized with a large, looped "G" and "n" at the end.

Michael Green, CPA
Stilwell, Oklahoma
November 16, 2023