

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

June 30, 2013

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Grady County Criminal Justice Authority

We have audited the accompanying financial statements of the business type activities, of Grady County Criminal Justice Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, 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

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 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Grady County Criminal Justice Authority as of June 30, 2013, and the respective 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.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, the Authority adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Management has omitted the management's 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 operational, economic, or historical context. Our 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*, we have also issued our report dated January 20, 2014 on our consideration of the Grady County Criminal Justice Authority's internal control over financial reporting and on our 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 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* in considering Grady County Criminal Justice Authority's internal control over financial reporting and compliance.



Duncan, Oklahoma
January 20, 2014

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Net Position
June 30, 2013

ASSETS

Current Assets		
Cash and Cash Equivalents	\$ 2,077,690	
Accounts Receivable	963,410	
<i>Total Current Assets</i>	<u>3,041,100</u>	
Non Current Assets		
Restricted Inmate Trust Fund Cash	67,587	
Restricted Funds Held in Trust	2,551,116	
Land	140,942	
Property and Equipment, Net	171,945	
Facilities Leasehold, Net	16,310,693	
<i>Total Non Current Assets</i>	<u>19,242,283</u>	
<i>Total Assets</i>	<u><u>\$ 22,283,383</u></u>	

LIABILITIES

Current Liabilities		
Accounts Payable and Accrued Expense	\$ 494,010	
Inmate and Commissary Payable	67,587	
Accrued Bond Interest	211,925	
Current Portion Bonds Payable	205,000	
<i>Total Current Liabilities</i>	<u>978,522</u>	
Non Current Liabilities		
2012 Bonds Payable, Net of Current Portion	17,960,000	
Less: Unamortized Bond Discount	<u>(317,635)</u>	
<i>Total Non Current Liabilities</i>	<u>17,642,365</u>	
<i>Total Liabilities</i>	<u>18,620,887</u>	

NET POSITION

Net Investment in Capital Assets	(1,541,420)	
Unrestricted	2,652,800	
Restricted for Debt Service	<u>2,551,116</u>	
<i>Total Liabilities and Net Position</i>	<u><u>\$ 22,283,383</u></u>	

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2013

Operating Revenues

Incarceration Services	\$	7,845,629
Inmate Transportation		271,064
Inmate Telephone		435,898
Commissary Commissions		141,463
Other		12,059
<i>Total Operating Revenue</i>		8,706,113

Operating Expenses

<u>Inmate Services</u>		
Meals		769,937
Medical & Dental (Net of reimbursements)		474,257
Transportation		91,343
Jail Supplies		163,984
		1,499,521
<u>Personnel</u>		
Salaries & Wages		2,872,566
Benefits, Taxes & Insurance		1,253,785
Uniforms, Payroll fees, Other		26,897
		4,153,248
<u>Facilities and Administration</u>		
Utilities & Communication		238,856
Insurance		275,409
Computer Equipment		25,824
Professional Services		183,726
Equipment Rental		64,174
Maintenance & Repairs		92,112
Office Expense		30,991
Depreciation		63,209
Leasehold Amortization		575,672
Interest Expense		1,299,117
Other		28,155
		2,877,245
<i>Total Operating Expenses</i>		8,530,014
<i>Operating Revenues Less Expenses</i>		176,099

Non-Operating Revenues

Interest Income		5,651
<i>Total Non-Operating Revenues</i>		5,651
<i>Increase (Decrease) in Net Position</i>		181,750
<i>Net Position at Beginning of Year</i>		3,785,905
<i>Prior Period Adjustment; Bond Issue Costs</i>		(305,159)
<i>Net Position at End of Year</i>	\$	3,662,496

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Cash Flows
Year Ended June 30, 2013

Cash Flows from Operating Activities

Cash Receipts for Inmate Services	\$	8,989,554
Other Cash Receipts		11,097
Cash Payments for Professional Services		(183,726)
Cash Payments to Employees for Services		(2,840,522)
Cash Payments for Other Personnel Expenses		(1,226,718)
Cash Payments for Interest		(1,276,625)
Cash Payments to Other Suppliers of Goods or Services		<u>(2,309,336)</u>

Net Cash Provided by (Used in) Operating Activities 1,163,724

Cash Flows from Non-Capital and Related Financing Activities

Additions to Restricted Funds in Trust		(69,075)
Repayment of Bond Principal		<u>(145,000)</u>

Net Cash Provided by (Used in) Financing Activities (214,075)

Cash Flows from Investing Activities

Insurance Proceeds from Vehicle		16,000
Interest Received		<u>5,651</u>

Net Cash Provided by (Used in) Investing Activities 21,651

Net Increase (Decrease) in Cash & Cash Equivalents 971,300

Cash and Cash Equivalents Beginning of Year 1,106,390

Cash and Cash Equivalents End of Year \$ 2,077,690

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

Operating Revenues Less Expenses	\$	176,099
Adjustments to reconcile operating income to net cash:		
Facilities Lease Amortization		575,672
Depreciation		63,209
Change in Accounts Receivable		295,500
Change in Accounts Payable and Accrued Expenses		29,060
Amortization of Bond Discount		<u>24,184</u>

Net Cash Provided by Operating Activities \$ 1,163,724

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1: Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting and, accordingly, include all significant receivables, payables and other liabilities. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1.A. Financial Reporting Entity

The Grady County Criminal Justice Authority (GCCJA) is a beneficial public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 2001, Sections 176-180.3, inclusive, as amended, and the Oklahoma Trust Act on August 12, 2002 for the use and benefit of Grady County, Oklahoma (Beneficiary). The purpose of the GCCJA is to operate and maintain buildings and facilities for public use or benefit, including jail facilities in Grady County, Oklahoma. The GCCJA began operating the jail facilities in December 2002. Operating revenues consist of incarceration fees and other service revenues related to operation of the correctional facilities.

The GCCJA is authorized, for the advancement of public purposes, to issue revenue notes and bonds to construct, improve, equip or acquire buildings, facilities or utilities which may be for the benefit of the Beneficiary County or for any other purpose which may enhance the accomplishment of the GCCJA's purposes. In no event do any bonds or other indebtedness of the GCCJA constitutes a debt of the State of Oklahoma, or of Grady County, but shall be paid solely from the Trust Estate. The GCCJA has no taxing power.

1.B. Basis of Presentation

The financial statements display information about the reporting entity as a whole. They include all funds of the reporting entity. These statements generally distinguish between governmental and business-type activities. All activities of the Authority are business-type, and accounted for as a Proprietary Fund. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Proprietary Funds

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.

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.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

In the financial statements, the business-type activities are presented using an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, 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 position.

1.D. Assets, Liabilities and Net Position

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Authority considers all demand deposit accounts, interest bearing checking accounts and time deposits accounts including certificates of deposit, U.S. Treasury bills, and sinking fund accounts with maturities of three months or less to be cash and cash equivalents, with the exception of inmate trust fund cash and restricted cash held by bond Trustee.

Accounts Receivable - include amounts receivable from various agencies for services rendered. The Authority uses the direct write-off method for recording uncollectible accounts receivable. During the year ended June 30, 2013, bad debts in the amount of \$3,615 were recognized as expense. All accounts receivable are considered currently collectible.

Restricted Funds Held in Trust- represents cash and certificates of deposit held by bond Trustee pursuant to terms of the 2012 Revenue Refunding Bonds Indenture, and can only be accessed according to terms of the Indenture.

Land- owned by Grady County Criminal Justice Authority consists of city lots purchased March 24, 2011 at a cost of \$140,942 for the purpose of potential future jail expansion and/or additional parking area.

Equity Classifications- Equity is classified as net position and displayed in three components:

Net Investment in capital assets
Restricted
Unrestricted

1.E. Estimates

The preparation of financial statements and disclosures 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. Actual results could differ from those estimates.

Note 2: Restructuring 2012 : Bonds Payable and Facilities Lease

On February 1, 2012, the Grady County Criminal Justice Authority issued Series 2012 Revenue Refunding Bonds in the amount of \$18,310,000 which were sufficient to retire all outstanding correctional facilities debt previously issued by Grady County Industrial Authority. Simultaneously, GCCJA entered into a facilities lease with Grady County to occupy and enjoy exclusive possession of the detention center through October, 2041 and so long as any part of the 2012 bond indebtedness is outstanding.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Accordingly, effective February 1, 2012, the Grady County Industrial Authority was released from responsibility of supervising the activities of the detention center.

In connection with the GCIA debt refunding and issuance of new debt, the GCCJA obtained the exclusive right to possess and enjoy the detention center facilities, which has been capitalized as the Facilities Leasehold, reflected in the Statement of Net Position:

Facilities Leasehold, Cost	\$17,126,228
Less Accumulated Amortization	<u>(815,535)</u>
Facilities Leasehold, Net	<u>16,310,693</u>

The leasehold is being amortized over the life of the lease under the straight-line method, which resulted in expense of \$575,672 during the year ended June 30, 2013. Upon retirement of the 2012 Bonds, GCCJA will pay an annual lease to Grady County in the amount of ten dollars in consideration for renewing the lease term in subsequent years.

The Indenture for the Grady County Criminal Justice Authority 2012 Revenue Refunding Bonds provides for semi-annual payment of interest on May 1 and November 1, and principal reduction annually on November 1. Interest is fixed at seven percent, with final maturity on November 1, 2041. Debt service requirements are as follows:

<u>Year Ended</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2014	\$ 1,264,375	\$ 205,000	\$ 1,469,375
2015	1,249,325	225,000	1,474,325
2016	1,233,225	235,000	1,468,225
2017	1,216,075	255,000	1,471,075
2018	1,197,525	275,000	1,472,525
2019-2023	5,661,075	1,675,000	7,336,075
2024-2028	4,964,925	2,345,000	7,309,925
2029-2033	3,984,925	3,305,000	7,289,925
2034-2038	2,609,075	4,635,000	7,244,075
2039-2041	<u>730,800</u>	<u>5,010,000</u>	<u>5,740,800</u>
	\$ <u>24,111,325</u>	\$ <u>18,165,000</u>	\$ <u>42,276,325</u>

The GCCJA 2012 Bonds were sold at a discount of \$343,312. Discount is being amortized over the life of the bonds using the effective interest method; Discount amortization (recognized as interest expense) was \$24,184 for the year ended June 30, 2013.

Bond issue costs amounted to \$306,491 and \$1,334 was amortized in the year ended June 30, 2012, leaving an unamortized balance of \$305,159. Pursuant to the provisions of newly promulgated accounting standards issued by the Government Accounting Standards Board (GASB) in GASB Statement No. 65, the cost of issuing debt is no longer recognized as a deferred charge and amortized over the life of the debt. The effect of this change is to reduce beginning net position by \$305,159, as reflected in the Statement of Revenues, Expenses and Changes in Net Position.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

GCCJA has assigned and pledged the Facilities Lease and any interest of Authority in the Facilities and any interest of Authority in the personal property, improvements and fixtures constituting the Facilities, and Criminal Justice Revenues and any other revenues and receipts receivable under the Facilities Lease to the Trustee pursuant to the Indenture as security for payment of the principal and interest on the Series 2012 Bonds and the County consents to such pledge and assignment.

The Facilities Lease Agreement provides for an annual renewal with respect only to the housing and care of Grady County inmates. The parties agree annually to the maximum number of County inmates to be housed, in exchange for a fixed fee paid by County to Authority. Services provided during the year ended June 30, 2013, based on standard federal billing rates, totaled \$3,633,269; however, per the agreement, Grady County paid \$600,000 for these services.

Note 3: Detailed Notes on Transaction Classes/Accounts

Deposits and Investments – The Authority's investment policies are governed by the Board of Trustees and any restrictions in the Trust indenture.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At June 30, 2013, the balances on deposit with financial institutions totaled \$3,683,304 and of that amount, \$2,107,382 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining \$1,575,922 was secured by pledge of investment securities held by the financial institution in the name of the financial institution.

Property and Equipment – Property and equipment consists of transport equipment, building improvements and other equipment used in the law enforcement center. Assets are depreciated using the straight-line method, over estimated useful lives of five to twenty years.

	6/30/12	Additions	Deletions	6/30/13
Transport Equipment	\$ 276,345	\$ 0	\$ (24,386)	\$ 251,959
Facility Improvements	66,931	0	0	66,931
Other Equipment	90,551	0	0	90,551
	<u>433,827</u>	<u>0</u>	<u>(24,386)</u>	<u>409,441</u>
Less: Accum. Depreciation	(183,636)	(63,209)	9,348	(237,497)
	<u>250,191</u>	<u>(63,209)</u>	<u>(15,038)</u>	<u>171,944</u>

Other property and equipment is limited to items of computer and office equipment costing less than \$3,000, which are expensed as purchased. All other facilities used in the detention center are the property of Grady County, Oklahoma, and subject to the Facilities Lease, discussed above.

Inmate Trust Fund - The Authority administers a separate deposit account to receive and disburse funds which are the property of inmates while incarcerated (inmate trust fund). Prior to June, 2006, this account was maintained in-house and no activity from the inmate trust fund was reflected in the Authority's financial statements. At June 30, 2013, approximately \$8,910 remained in the old inmate trust fund account, which is not reflected in the financial statements.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Beginning in June, 2006, GCIA contracted with Tiger Commissary ("Tiger") to fulfill inmates' commissary needs. The Authority still maintains and administers a separate inmate trust fund. Inmate trust fund cash of \$67,587 is presented as restricted cash, and the related Inmate and Commissary Payable of \$67,587 is included in current liabilities on the Authority's statement of net assets. Monies received from and paid to inmates and the commissary is not reflected in the cash flow statements or recognized as income or expense by the Authority.

Restricted Funds Held in Trust - \$2,551,116 held by bond Trustee includes the following:

- Certificates of deposit at various financial institutions. At June 30, 2013, certificates of deposit totaled \$1,487,344 and mature within one year; interest rates range from .25 to .90 percent per annum.
- \$1,063,772 invested in Goldman Sachs Financial Square money market fund consisting of U.S. Treasury Obligations and U.S. Government Securities. The stated interest rate at June 30, 2013 was .01 percent.

Restricted funds held in trust are recorded at cost, which approximates fair value due to the nature of deposits and short maturities.

Accounts Payable and Accrued Expense- Accounts payable and accrued expense consist of the following current liabilities:

Payable for goods and services	\$ 187,289
Accrued employee payroll	168,041
Accrued employee vacation	63,960
Accrued payroll tax and benefits	<u>74,720</u>
Total	<u>\$ 494,010</u>

Note 4: Related Parties and Common Control

The GCCJA is related to Grady County, Oklahoma as the primary beneficiary of the Authority. Additionally, certain facilities and personnel are shared by GCCJA and Grady County Sheriff's Department in operation of the jail. GCCJA leases and occupies facilities owned by Grady County, Oklahoma which are pledged on the 2012 Series Bonds issued by GCCJA.

Note 5: Retirement Plan

Employees participate in the Oklahoma Public Employees Retirement System (OPERS), which is a defined benefit retirement plan for state and local government employees. The plan is qualified under section 401(a) of the Internal Revenue Code and participation is mandatory for all eligible employees. An employee is eligible when employment is permanent and requires at least 1000 hours per year. The OPERS plan requires employee contributions of 3.5 percent of gross wages, along with employer contributions of 16.5 percent of gross wages during fiscal year 2012- 2013. Employer contributions for the current and prior two years are as follows:

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Year Ended</u>	<u>Required Contribution Rate</u>	<u>Amount Contributed</u>
June 30, 2013	16.5 %	\$443,805
June 30, 2012	16.5%	451,664
June 30, 2011	16.5%	372,652

Additional plan information may be obtained by contacting Oklahoma Public Employees Retirement System at P.O. Box 53007, Oklahoma City, OK 73152-3007 by calling OPERS at (800) 733-9008, or online at www.opers.ok.gov.

Note 6: Concentrations

During the year ended June 30, 2013, approximately eighty-five percent of incarceration revenues for the law enforcement center were derived from contracts with the federal government. If the federal government were to withdraw federal inmates from the facilities, it would severely impact the operations of the law enforcement center; however, management believes the need for federal inmate housing will continue to increase.

Note 7: Subsequent Events

Subsequent events were evaluated through January 20, 2014, which is the date the financial statements were available to be issued.

Note 8: Risk Management

Grady County Criminal Justice Authority purchases property and liability insurance coverage through the Association of County Commissioners of Oklahoma Self-Insurance Group (ACCO-SIG). Policy deductibles are \$50,000 per claim, with a maximum deductible of \$100,000 per year. In addition to policy premiums, GCCJA is currently required to submit a \$100,000 deposit against potential claims each year. As of June 30, 2013, the amount on deposit with ACCO-SIG to settle future claim deductibles was \$52,957; however, all payments to ACCO-SIG for insurance premiums and deductibles are reflected as insurance expense in the Statement of Revenues, Expenses and Changes in Net Assets.

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
Grady County Criminal Justice Authority

We 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, of Grady County Criminal Justice Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Grady County Criminal Justice Authority's basic financial statements, and have issued our report thereon dated January 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grady County Criminal Justice Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grady County Criminal Justice Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grady County Criminal Justice 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 entity'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 material weakness, yet important enough to merit attention by those charged with governance.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether Grady County Criminal Justice 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jayna Vaughn, PC

Duncan, Oklahoma
January 20, 2014