

LOGAN COUNTY
JAIL AUTHORITY

GUTHRIE, OKLAHOMA

FINANCIAL REPORT FOR PERIODS ENDED
JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

December 1, 2011

Logan County Jail Authority
Guthrie, Oklahoma

Gentlemen:

We have audited the accompanying financial statements of the Logan County Jail Authority as of and for the year ending June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audits 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Logan County Jail Authority as of June 30, 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Governmental Auditing Standards," we have also issued our report dated December 1, 2011 on our consideration of Logan County Jail Authority's internal control over financial reporting and 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 or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

Storm & Hauser, P.C.

LOGAN COUNTY JAIL AUTHORITY
STATEMENTS OF NET ASSETS
MODIFIED ACCRUAL BASIS
June 30, 2011

ASSETS:

June 30, 2011

Cash and cash equivalents	\$ 780,003
Sales Tax Receivable	149,798
Interest Receivable	70
Total current assets	<u>\$ 929,871</u>
Property and Equipment	
Land	\$ 382,910
Building	7,694,761
Improvements	17,221
Equipment	477,968
Accumulated depreciation	(1,071,038)
Net Property and Equipment	<u>\$ 7,501,822</u>
Total assets	<u><u>\$ 8,431,693</u></u>

LIABILITIES:

Liabilities	
Accrued Interest	\$ 12,664
Accounts payable	23,230
Current Portion of long-term debt	832,772
Total current liabilities	<u>\$ 868,666</u>
Long-term Debt	
Note payable	\$ 2,873,644
Total long-term liabilities	<u>\$ 2,873,644</u>
Total liabilities	<u><u>3,742,310</u></u>

NET ASSETS:

Net Assets:	
Invested in capital assets	4,689,383
Unrestricted	<u>-</u>
Total net assets	<u>\$ 4,689,383</u>
Total net assets and liabilities	<u><u>\$ 8,431,693</u></u>

LOGAN COUNTY JAIL AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MODIFIED ACCRUAL BASIS
For the year ended June 30, 2011

	<u>June 30, 2011</u>
Operating Revenues:	
Sales tax revenue	\$ 1,767,025
Sheriff fees	\$ 3,525
Total Operating Revenues	<u>1,770,550</u>
Operating Expenditures:	
	-
Occupancy expense-Maint & Util	-
Prisoner expense	113,220
Insurance expense	92,251
Management fees	-
Payroll expenses	2,055
Office expense	907,984
Professional fees	10,507
Depreciation Expense	13,725
	306,011
Total Operating Expenditures	<u>1,445,753</u>
Operating Income	324,797
Nonoperating Revenues (Expenses):	
Interest Income	1,226
Interest Expense	(177,529)
Total Nonoperating Revenues(Expenses)	<u>(176,303)</u>
Change in Net Assets	148,494
Fund balances - beginning	4,540,889
Prior Period Adjustment	-
Fund balances - ending	<u><u>\$ 4,689,383</u></u>

See accompanying notes to the basic financial statements.

LOGAN COUNTY JAIL AUTHORITY
STATEMENT OF CASH FLOWS
MODIFIED ACCRUAL BASIS
For the year ended June 30, 2011

June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Sales tax revenue and Sheriff fees	\$ 1,767,548
Cash payments to suppliers of goods and services	<u>(1,129,554)</u>
Net Cash Provided by (Used in) Operating Activities	<u>637,994</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Acquisition and construction of capital assets	-
Note Payments	<u>(799,371)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	1,278
Interest Expense	<u>(180,260)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(978,353)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(340,359)
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CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	1,120,362
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CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u><u>\$ 780,003</u></u>
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Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	324,797
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Sales tax revenue accrual	(3,002)
Accounts payable accrual	10,188
Depreciation	306,011

Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 637,994</u></u>
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NOTE 3 - NOTE PAYABLE - continued

A summary of Long-term debt transactions for the year are as follows:

Balance June 30, 2010	\$ 4,505,787
Additions	\$ -
Retirements	\$ (799,371)
Balance June 30, 2011	<u>\$ 3,706,416</u>

Future maturities of long-term debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	832,772	136,429	969,201
2013	867,563	101,635	969,198
2014	903,808	65,390	969,198
2015	941,567	27,631	969,198
2016	160,706	824	161,530
2017			-
	<u>3,706,416</u>	<u>331,909</u>	<u>4,038,325</u>

NOTE 4- BUILDINGS and IMPROVEMENTS - IN PROGRESS

The modified accrual basis of accounting requires that Capital Assets be depreciated over their reasonable useful life, starting when the asset is placed into use. The Building will be depreciated over 30 years, with the Improvements and Equipment depreciated over 10 years.

At June 30, 2011 the total expended for the construction of the jail is as follows:

Land	382,910
Buildings	7,694,761
Improvements	17,221
Equipment	477,968
Total cost through June 30	<u>8,572,860</u>
Depreciation through June 30	(1,071,038)
Net Total Cost at June 30	7,501,822

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"

December 1, 2011

Logan County Jail Authority
Guthrie, Oklahoma

We have audited the financial statements of the Logan County Jail Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated December 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Logan County Jail Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Logan County Jail Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Logan County Jail Authority, Board Members, administrative personnel, and applicable regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Storm & Hauser, P.C.

**LOGAN COUNTY JAIL AUTHORITY
LOGAN COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization - The Logan County Jail Authority (The Authority) was created by a Trust Indenture, dated November 19, 2001, for the use and benefit of Logan County, Oklahoma under authority of and pursuant to Title 60, Oklahoma State Statutes 2001, sections 176 et seq., as amended and supplemented, the Oklahoma Trust Act and other applicable statutes of the State of Oklahoma. The Authority was formed for the purpose of constructing a county jail for the use by Logan County, Oklahoma. An election was held on March 1, 2005, to approve the sales tax resolution levying a three-quarters of one percent (0.75%) excise tax. The Authority began receiving the sales tax in August 2005. the beneficiary of the trust is Logan County, Oklahoma.

Basis of Accounting - Logan County Jail Authority, a governmental type fund, uses the current financial resources flow measurement focus and the modified accrual basis of accounting. Under this basis, revenues are recognized when the funds become available and measurable. The Authority defines "available and measurable" as those funds to be available to pay liabilities within sixty days after the date of the financial statements.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

State Statutes authorize the Authority to invest in certificates of deposit, passbooks, banker's acceptances and other available investments provided that the deposits and investments are secured by federal depository insurance or secured by qualified securities pledged as collateral. The Authority is also authorized to invest in certain governmental obligations.

NOTE 3 - NOTE PAYABLE

On April 12, 2005 the Authority borrowed \$7,940,000 from Bancfirst to finance the construction of the jail. The note is a sales tax revenue note that is collateralized by bank qualified series 2005 bonds. The Authority paid interest only payments until September 1, 2005. At that time they began making monthly payments of principal and interest. The note bears interest at 4.1% and matures August 1, 2015.