

OKFUSKEE COUNTY JUSTICE AUTHORITY
OKFUSKEE COUNTY, OKLAHOMA
OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2023

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
500 South Chestnut
PO BOX 1015
BRISTOW, OKLAHOMA 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Okfuskee County Justice Authority
Okemah, Oklahoma

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the business-type activities of Okfuskee County Justice Authority, a component unit of Okfuskee 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.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of Okfuskee County Justice Authority as of June 30, 2023, and the results of its operations 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 Okfuskee County Justice Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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. Management is also responsible 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 Okfuskee County Justice 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 our 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 Okfuskee County Justice 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 Okfuskee County Justice 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.

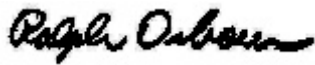
Other Matters

Required Supplementary Information

Okfuskee County Justice Authority, Okemah, Oklahoma has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement the basic financial statement.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, I have also issued my report dated January 4, 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.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
January 4, 2023

OKFUSKEE COUNTY JUSTICE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 670,496
Receivable from county	<u>181,722</u>
Total current assets	<u>852,218</u>
Non-current assets:	
Restricted cash:	
Debt service	597,161
Bond discount, net of accumulated amortization	94,707
Capital assets	
Other capital assets net of accumulated depreciation	<u>5,128,025</u>
Total non-current assets	<u>5,819,893</u>
Total assets	<u>6,672,111</u>
LIABILITIES	
Current liabilities:	
Accrued interest	9,305
Notes payable	<u>585,000</u>
Total current liabilities	<u>594,305</u>
Non-current liabilities:	
Bond and notes payable	<u>3,810,000</u>
Total non-current liabilities	<u>3,810,000</u>
Total liabilities	<u>4,404,305</u>
NET POSITION	
Capital assets, net of related debt	733,025
Restricted for:	
Debt Service	597,161
Unassigned	<u>937,620</u>
Total net position	<u>\$ 2,267,806</u>

The accompanying notes are an integral part of this financial statement.

OKFUSKEE COUNTY JUSTICE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>TOTAL</u>
Operating revenues	
Sales Tax Received From County	\$ 686,089
Total revenue	686,089
Operating expenses	
Professional Fees	-
Fees	5,000
Depreciation	90,762
Total expenses	95,762
Operating income/(loss)	590,327
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Interest income	18,193
Interest expense	(170,992)
Amortization of bond discount	(6,805)
Total non-operating revenue/(expenses)	(159,604)
Net change in net position	430,723
Net position, beginning	1,837,083
Net position, ending	\$ 2,267,806

The accompanying notes are an integral part of this financial statement.

OKFUSKEE COUNTY JUSTICE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

Cash flows from operating activities	
Cash received from county	\$ 675,208
Cash payments to suppliers for goods and services	<u>(5,000)</u>
Net cash provided (used) by operating activities	<u>670,208</u>
Cash flows from capital and related financing activities	
Transferred (to)/from restricted	(17,455)
Bond principal paid	(620,000)
Bond interest paid	<u>(161,688)</u>
Net cash provided by capital and related financing activities	<u>(799,143)</u>
Cash flows from investing activities	
Interest income	<u>18,193</u>
Net cash provided by investing activities	<u>18,193</u>
Net increase in cash and cash equivalents	(110,742)
Cash and cash equivalents, beginning	<u>781,238</u>
Cash and cash equivalents, ending	<u><u>\$ 670,496</u></u>
Reconciliation of income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	\$ 590,327
Depreciation	90,762
Used by Operating Activities:	
Changes in Assets and Liabilities:	
(Increase)/decrease in due from county	<u>(10,881)</u>
Net cash provided by operating activities	<u><u>\$ 670,208</u></u>

The accompanying notes are an integral part of this financial statement.

OKFUSKEE COUNTY JUSTICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Okfuskee County Justice Authority (the Authority) was created August 27, 2012 under the provision of Title 60, Oklahoma Statutes 1991, Section 176 et. seq., as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The beneficiary of the trust is Okfuskee County, Oklahoma. The trust is managed by a three member board which is comprised of the Board of County Commissioners of Okfuskee County, Oklahoma.

The primary purpose of the Authority is to assist Okfuskee County, Oklahoma (the County) and its governmental agencies in acquiring and maintaining physical properties. The Authority receives sales tax revenue from Okfuskee County, Oklahoma. The Authority and the County are related organizations. The Authority is a component unit of the County. The County is separately audited by the State of Oklahoma, Office of the Auditor and Inspector.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The financial statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported in financial statements include revenues and expenses related to the primary, continuing operations of the Authority. Principal operating revenues are sales and use taxes passed through Okfuskee County and related rents and administrative fee income. Principal operating expenses are administrative expenses, expenses related to maintenance and operation of the Okfuskee Count Detention Center, and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Budget

The Authority has not adopted an annual operating budget. Therefore, the budget to actual comparisons are not reported.

OKFUSKEE COUNTY JUSTICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Investments

The Authority follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Authority considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. The Authority has reported no inventory at June 30, 2023.

Prepaids record payments to vendors that benefit future reporting periods. The Authority has reported no prepaids at June 30, 2023.

Capital Assets, Depreciation, and Amortization

The Authority's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Authority maintains infrastructure assets records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The Authority generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations. Capital assets obtained for use in operating the county jail or sheriff's department, other than the original cost of jail construction, are considered as belonging to Okfuskee County and not the Authority.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30

Employee Benefits

The Authority does not have employees. The activity of the Authority is conducted by employees of the County.

OKFUSKEE COUNTY JUSTICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

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

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Authority will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority, and are held by counterparty or the counterparty's trust department but not in the name of the Authority. The Authority's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2023, all of the Authority's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Authority had deposits at financial institutions with a carrying amount of approximately \$1,267,657 at June 30, 2023. The bank balance of the deposits at June 30, 2023 was approximately \$1,267,657.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at June 30, 2023.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Authority's interest rate risk. As of June 30, 2023, the Authority's deposits consisted of demand deposits. Amounts held for debt service are controlled and invested by a trustee bank.

OKFUSKEE COUNTY JUSTICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE C - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>			Totals	Capital Assets Not Depreciated Land
	<u>Buildings</u>	<u>Infrastructure & Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>		
Governmental activities					
Balance, June 30, 2022	\$ 5,445,690	\$ -	\$ -	\$ 5,445,690	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2023	<u>5,445,690</u>	<u>-</u>	<u>-</u>	<u>5,445,690</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2022	226,903	-	-	226,903	
Increase	90,762	-	-	90,762	
Decreases	-	-	-	-	
Balance, June 30, 2023	<u>317,665</u>	<u>-</u>	<u>-</u>	<u>317,665</u>	
Governmental activities					
Capital Assets, Net	<u>\$ 5,128,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,128,025</u>	<u>\$ -</u>

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

Capital Projects \$ 90,762

NOTE D - NOTE PAYABLE

The following is a summary of note payable transactions of the Authority for the year ended June 30, 2023.

	Payable at <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>June 30, 2023</u>
BancFirst Series 2017	\$ 4,645,000	\$ -	\$ (575,000)	\$ 4,070,000
BancFirst Jr Lien 2018	370,000	-	(45,000)	325,000
	<u>\$ 5,015,000</u>	<u>\$ -</u>	<u>\$ (620,000)</u>	<u>\$ 4,395,000</u>

OKFUSKEE COUNTY JUSTICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The long-term debt as of June 30, 2023 is as follows:

\$5,580,000 Revenue Note, Series 2017, due in yearly installments of varying amounts, with variable interest Rates, secured by Okfuskee County sales tax revenue	\$ 4,070,000
\$500,000 Revenue Note, Jr lien Series 2018, due in yearly installments of varying amounts, with variable interest rates, secured by Okfuskee County sales tax revenue	<u>325,000</u>
Total Long-term Debt	<u>\$ 4,395,000</u>

The annual debt service requirements to retire the note payable are as follows:

Year Ending June 30	Principal	Interest	Totals
2024	\$ 585,000	\$ 138,806	\$ 723,806
2025	290,000	123,394	413,394
2026	305,000	114,444	419,444
2027	310,000	104,707	414,707
2028	320,000	94,431	414,431
2029-2033	1,510,000	353,481	1,863,481
2034-2037	<u>1,075,000</u>	<u>65,340</u>	<u>1,140,340</u>
Total	<u>\$ 4,395,000</u>	<u>\$ 994,603</u>	<u>\$ 5,389,603</u>

The Authority paid interest in the amount of \$ 176,669 on notes during the current fiscal year.

NOTE E - SALES TAX

The County, pursuant to a resolution adopted on May 31, 2016 (the "Resolution"), is levying a sales tax of three-quarters of one percent (0.0075%), as approved by the qualified electors of the County at an election held August 23, 2016, in accordance with Title 68, Oklahoma Statutes 2011, Section 1370, as amended (the "Sales Tax Revenues"), which shall be used for the payment of the debt service, including payment of interest and principal and premium. The County and the Authority have entered into a Sales Tax Agreement dated as of June 1, 2017 (the "Sales Tax Agreement"), pursuant to which the County agrees, subject to availability and appropriation of funds, to transfer, as received, to the Trustee on behalf of the Authority, and hereby appropriates to the Authority proceeds of the three-quarters of one percent Sales Tax Revenues.

FY	Total 2 Cent	3/4 Cent	Avg Monthly	Change
2016/17	\$ 429,232	\$ 258,062	\$ 43,010	N/A
2017/18	1,405,755	527,158	43,930	104.0%
2018/19	1,768,014	663,005	55,250	25.77%
2019/20	1,701,904	638,214	53,185	(3.74%)
2020/21	1,515,320	568,245	47,354	(10.96%)
2021/22	1,852,310	694,616	57,885	18.19%
2022/23	1,785,248	675,208	56,267	(2.80%)

OKFUSKEE COUNTY JUSTICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE F - RELATED PARTY

The Authority receives pledged sales tax from Okfuskee County, Oklahoma which is related as an affiliated governmental unit. The sales tax revenue received from Okfuskee County in 2023 was \$675,208. Total amount receivable from Okfuskee County and the Oklahoma Tax Commission at June 30, 2023 was \$181,722.

NOTE G - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority is included in coverage obtained by Okfuskee County.

NOTE H - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events and contingencies through January 4, 2023, the date which the financial statements were available. The Authority believes there are no subsequent events to disclose. The Authority does not see any risk to it's ability to continue into subsequent fiscal years.

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 Honorable Members of the Board of Trustees
Okfuskee County Justice Authority
Okemah, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of business-type activities of Okfuskee County Justice Authority, a component unit of Okfuskee County, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Okfuskee County Justices Authority's basic financial statements, and have issued my report thereon dated January 4, 2023 which did not include Management's Discussion and Analysis.

Report on Internal Control Over Financial Reporting

In planning and performing my audit, I considered Okfuskee County Justice 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 Okfuskee County Justice Authority's internal control. Accordingly, I do not express an opinion of the effectiveness of Okfuskee County 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 a material weakness, yet important enough to merit attention by those charged with governance.

My 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 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 may exist that have not been identified.

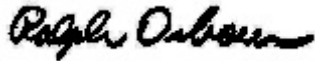
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Okfuskee County Justice 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
January 4, 2023