

OKMULGEE COUNTY CRIMINAL JUSTICE AUTHORITY

FINANCIAL STATEMENTS

AND

AUDITORS' REPORT

FOR THE YEAR ENDED

JUNE 30, 2015



Clothier & Company CPA's P.C.

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Okmulgee County Criminal Justice Authority
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Okmulgee County Criminal Justice Authority
Okmulgee, Oklahoma

We have audited the accompanying financial statements of the business-type activities of Okmulgee County Criminal Justice Authority, a component unit of the County of Okmulgee, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which 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 opinions 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Okmulgee County Criminal Justice Authority as of June 30,

2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I – III be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions of the financial statements that comprise the Authority's basic financial statements. The budgetary comparison is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedure, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016 on our consideration of the 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 internal control over financial reporting or on compliance. The 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.



Clothier and Company, CPA's, PC
February 12, 2016

Okmulgee County Criminal Justice Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Our discussion and analysis of the Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2015.

USING THIS ANNUAL REPORT

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements, and Required Supplementary Information. The Financial Statements also includes notes that explain in detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long term financial information about its activities. The Balance Sheet includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Income Statement. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its fees and other charges, profitability, and credit worthiness. The final required statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, capital and non-capital financing activities.

FINANCIAL HIGHLIGHTS

Assets	<u>\$1,061,331</u>	Revenues	\$1,627,802
Liabilities	176,142	Expenditures	2,049,264
Fund Balance	<u>885,189</u>	Int./Other Income	<u>37,275</u>
	<u>\$1,061,331</u>	Net Income	<u>(\$384,187)</u>

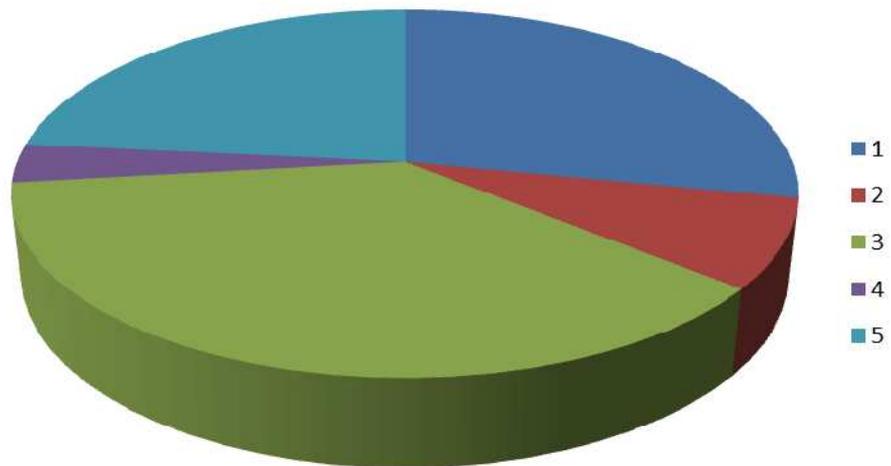
AUTHORITY’S ACTIVITIES

During the fiscal year the Authority maintained jail operations and contract bed funding. Revenues increased and expenditures increased from last fiscal year. The fund balance this year is positive.

BUDGETARY HIGHLIGHTS

The 2014-2015 budget was for a full 12 month period. We were able to fund incremental 5% step raises for line staff jail division employees.

REVENUES BY SOURCE



<u>Source</u>	<u>Amount</u>	<u>Percentage</u>
1 Sales Tax	\$458,040	28.14%
2 Phone Commissions	\$127,457	7.83%
3 Department of Corrections (DOC)	\$605,746	37.21%
4 Canteen	\$55,322	3.40%
5 Incarceration Fees	\$381,237	23.42%

DEBT ADMINISTRATION

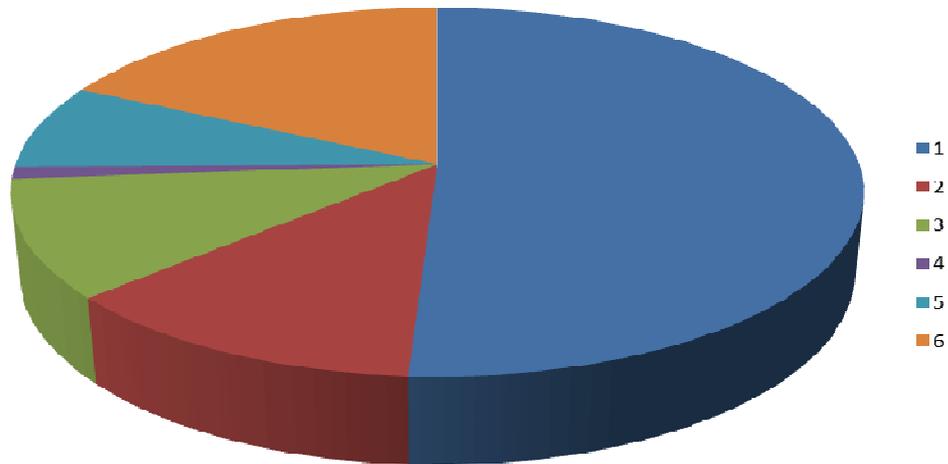
Okmulgee County Governmental Building Authority is responsible for the debt incurred on the jail and major assets. We have no long or short term debt.

FIXED ASSETS

We had a reporting of assets as follows:

Property/Plan/Equipment	\$607,037
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EXPENDITURES BY SOURCE



1	Salaries/Payroll taxes	1,043,437	50.92%
2	Employee Benefits	254,960	12.44%
3	Inmate Expense	212,614	10.38%
4	Depreciation	21,752	1.06%
5	Utilities & Telephone	152,868	7.46%
6	Other General/Administrative	363,633	17.74%

NEXT YEAR'S ACTIVITIES

The Authority will continue contract bed services. Efforts to improve income revenue and preserve assets will be made.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers and board trustees with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Authority's office at 918-752-0983.

Okmulgee County Criminal Justice Authority
Balance Sheet
June 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$689,466
Inmate Trust Fund	133,518
Accounts receivable	65,339
Total Current Assets	<u>888,323</u>

Noncurrent Assets

Property, plant and equipment	607,037
Accumulated depreciation	(434,029)
Net Property & Equipment	<u>173,008</u>

Total Assets \$1,061,331

LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts payable	\$37,026
Accrued payroll taxes	3,236
Inmate Trust Fund payable	32,391
Salaries/vacations payable	103,489
Total Liabilities	<u>176,142</u>

Fund Balance

Invested in Capital Assets	173,008
Unrestricted Fund Balance	712,181
Total Fund Balance	<u>885,189</u>

Total Liabilities and Fund Balances \$1,061,331

See accompanying footnotes and independent auditors' report.

Okmulgee County Criminal Justice Authority
Statement of Revenues, Expenses, and
Changes in Fund Balance
June 30, 2015

Revenue

Sales Tax	\$458,040
Phone Commission	127,457
Department of Corrections	605,746
Canteen Profits	55,322
Incarceration Fees	381,237
Total Revenue	1,627,802

Expenses

Salaries	967,135
Employee Benefits	254,960
Payroll Taxes	76,302
Uniforms	3,373
Travel/Training	4,220
Inmate Expenses	212,614
Medical supplies	7,371
Kitchen supplies	4,591
Operating supplies	61,524
Bedding supplies	11,803
Telephone/utilities	152,868
Repairs & Maintenance	3,921
Depreciation	21,752
Office/postage supplies	8,895
Vehicle Expenses	11,594
Insurance	104,831
Contract/professional services	120,129
Miscellaneous	18,000
Vacation/Sick Pay	3,381
Total Expenditures	2,049,264

Operating Income (Loss)

(421,462)

Other Income (Expenditure)

Interest Income	407
Other Income	36,868
Total Other Income (Expenditures)	37,275

Change in Fund Balance

(384,187)

Beginning unrestricted fund balance	1,096,368
Ending unrestricted fund balance	712,181
Invested in fixed assets	173,008
Temporarily restricted fund balance	0
Total fund balances	\$885,189

See accompanying footnotes and independent auditors' report.

Okmulgee County Criminal Justice Authority
Statement of Cash Flows
June 30, 2015

Cash Flow From Operating Activities:	
Cash received from customers	\$1,192,193
Cash received from other sources	458,040
Cash paid to employees	(1,287,620)
Cash paid to suppliers	(913,417)
Net Cash Flows from Operating Activities	(550,804)
 Cash Flows from Capital and Related Financing Activities:	
Disposal of capital assets	36,868
Purchase of capital assets	(1,400)
Net Cash Used for Capital and Related Financing Activities	35,468
 Cash Flows from Investing Activities:	
Receipt of interest	407
Net Cash Provided by Investing Activities	407
Net Increase (Decrease) in Cash and Cash Equivalents	(514,929)
Cash and Cash Equivalents Beginning of Year	1,337,913
Cash and Cash Equivalents End of Year	\$822,984
 Reconciliation of Operating Income to Net Cash Flows From Operating Activities:	
Net Income	(\$384,187)
Less interest income	(407)
Less other income	
Add Depreciation Expense	21,752
(Increase)/Decrease in Current Assets:	
Receivables, net	(22,431)
Increase/(Decrease) in Current Liabilities:	
Payables	(176,308)
Accrued expenses	10,777
Net cash Flows from Operating Activities	(\$550,804)

See accompanying footnotes and independent auditors' report.

Okmulgee County Criminal Justice Authority
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ending June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Okmulgee County Criminal Justice Authority was formed May 8, 2000. The Okmulgee Criminal Justice Authority operates under a Trustee form of management. The Authority's major operations are to oversee the Okmulgee County adult inmate population.

The Okmulgee County Criminal Justice Authority's financial statements are prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board is responsible for establishing generally accepted accounting principles for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standard Board issued through November 30, 1989 that do not conflict with or contradict generally accepted accounting principles pronouncements.

Reporting Entity – These financial statements present the Okmulgee County Criminal Justice Authority, a legally separate component unit of the County of Okmulgee, State of Oklahoma.

Basis of Presentation – The Authority's basic financial statements consist of a balance sheet, statement of revenues, expenses, and changes in fund balance, which provides a detailed level of financial information. The Authority is considered to be an enterprise fund, proprietary fund type, as defined under accounting principles generally accepted in the United States of America. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The measurement focus is upon financial position, changes in financial position and cash flows.

Basis of Accounting – The financial statements are presented on an accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Cash and cash equivalents – The Authority has defined cash and cash equivalents to include cash on hand, demand deposits and money market accounts with original maturities of 3 months or less. Deposits not covered by the FDIC are to be collateralized.

Property, Plant and Equipment – Depreciated is calculated on a straight-line basis over the useful lives of the assets. Useful life of the assets is considered to be from 5 to 7 years. Assets having a value \$250 or greater are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Vacation and Sick Leave – Employees may accumulate up to 20 days vacation and 130 days sick leave. Employees will be paid for vacation time accrued upon termination. A liability for vacation time has been accrued for the leave available at June 30, 2015 in the financial statements in the amount of \$68,893. Available accrued sick leave balance as of June 30, 2015 is \$153,011. Accrued sick leave is not included in the financial statements because it is not paid at the time of departure from the Authority.

Okmulgee County Criminal Justice Authority

Revenues/Expenses – The primary source of operating revenue is from the Department of Corrections for housing state inmates. The Authority receives an incarceration fee paid according to the number of inmates jailed each day. In addition, the Authority also receives sales tax revenue from the Okmulgee County Governmental Building Authority, another Governmental Trust Organization. The Authority also receives an incarceration fee for inmates jailed from surrounding communities and the U. S. Marshals Service. A commission is received from Legacy based on the collect phone calls made by inmates. Revenue and expenses are recorded on the accrual method of accounting. Revenue is recognized when earned. Expenses are recognized when the related liability is incurred.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates.

2. RELATED PARTY TRANSACTIONS

The Okmulgee County Criminal Justice Authority receives funding from the Okmulgee County Building Authority. The Authorities operate under the supervision of the same Board of Trustees and the same County Commissioners.

The Okmulgee County Building Authority owns the jail facility. The Okmulgee County Criminal Justice Authority is responsible for the daily operations and maintenance of the facility.

The Building Authority receives the sales tax revenues, and then a portion is allocated to the Criminal Justice Authority. In the year ended June 30, 2015, the Okmulgee County Criminal Justice Authority received \$458,040 from the Okmulgee County Building Authority in sales tax revenue.

3. RISK MANAGEMENT

Okmulgee County Criminal Justice Authority is exposed to various risks related to torts; theft of or damage to, and destruction of assets; injuries to employees and natural disasters. The Authority is presently not involved in any matters of litigation. Additionally, the Authority's management believes that the Authority's insurance programs would cover any potential losses.

4. CASH AND CASH EQUIVALENTS

Custodial Credit Risk is the risk that in the event of a bank failure the Authority's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The Authority maintains deposits at several financial institutions located in Okmulgee, Oklahoma. A public unit is insured through its official custodian. If the same individual or individuals are official custodian for more than one public unit, they are treated as one official custodian if action or consent by all of these individuals is required for the exercise of control over funds of a single public unit.

Deposits are insured by the Federal Deposit Insurance Corporation for up to \$250,000 at each financial institution. As of June 30, 2015 cash balances totaled \$822,984. The Authority has FDIC or collateralized receipts totaling \$870,000. All deposits were covered by FDIC or collateralized receipts as of June 30, 2015.

Okmulgee County Criminal Justice Authority

5. PROPERTY, PLANT AND EQUIPMENT

	Cost Basis	Acquisitions/ Dispositions	Accumulated Depreciation	Book Basis
Land/Improvements	213,235	0	(67,448)	145,787
Auto/Transport	87,835	0	(87,835)	0
Furniture/Fixtures	41,103	603	(39,525)	2,181
Equipment	263,464	797	(239,221)	25,040
	<u>605,637</u>	<u>1,400</u>	<u>(434,029)</u>	<u>173,008</u>

The Authority has \$21,752 in depreciation expense for the year ending June 30, 2015.

6. RETIREMENT AND PENSION PLAN

The Authority is a member of the State Employee Retirement Program, a defined contribution plan, and contributes 10% of its employees' base salary to the retirement account. Employees can also choose to contribute a percentage of their base salary to the retirement account and are responsible for the management of the funds in their account. The retirement expense for 2015 was \$141,114 which is included in employee benefits.

7. EVALUATION OF SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through the date which these financials were available to be issued and found that no disclosures were needed.

SUPPLEMENTAL INFORMATION

Okmulgee County Criminal Justice Authority
BUDGETARY COMPARISON - JAIL
June 30, 2015

	Original Budget	Final Budget	Actual	Variance
Revenue:				
DOC	801,175	801,175	605,746	195,429
Phone Commissions	120,000	120,000	127,457	(7,457)
Incarceration Fees	406,960	406,960	381,237	25,723
Sales tax	504,000	504,000	458,040	45,960
Canteen income	110,000	110,000	55,322	54,678
Interest	14,035	14,035	407	13,628
Misc./Other	100,675	100,675	36,868	63,807
	<hr/>			
Total Revenue	2,056,845	2,056,845	1,665,077	391,768
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Operating Expenses:				
Salaries/Overtime	959,350	974,348	970,516	3,832
Employee Benefits	197,193	278,281	254,960	23,321
Payroll Taxes	81,356	81,356	76,302	5,054
Uniforms & allowance	157,188	2,500	3,373	(873)
Travel and training	2,000	4,500	4,220	280
Inmate expenses	205,180	224,380	224,417	(37)
Medical supplies	10,220	10,220	7,371	2,849
Office supplies	10,800	10,800	8,895	1,905
Operating supplies	49,500	31,500	61,524	(30,024)
Automotive expenses	13,500	13,500	11,594	1,906
Repairs and maintenance	1,500	34,500	3,921	30,579
Miscellaneous	0	0	17,640	(17,640)
Kitchen supplies	500	4,600	4,591	9
Insurance	90,513	90,513	104,831	(14,318)
Telephone/Utilities	130,000	145,100	152,868	(7,768)
Communications	8,300	8,300	0	8,300
Contract/professional	100,200	100,200	120,129	(19,929)
Rentals & Leases	9,000	9,000	0	9,000
Advertising/printing	1,250	1,250	0	1,250
C. O. office/computers.	1,750	2,950	963	1,987
C. O. mobile equipment	10,000	10,000	0	10,000
C. O. safety equipment	1,000	1,000	0	1,000
C. O. equipment - other	500	2,000	797	1,203
	<hr/>			
Total Operating Expenses	2,040,800	2,040,798	2,028,912	11,886
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Revenue over/(under) expenses	16,045	16,047	(363,835)	379,882
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See independent auditors' report.

Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance:

Revenue over/(under) expenses	(363,835)
Depreciation expense	(21,752)
Add back capital outlay reclassified to assets	<u>1,400</u>
Change in Fund Balance	<u><u>(384,187)</u></u>

See independent auditors' report.



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INDEPENDENT AUDITORS' 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
Okmulgee County Criminal Justice Authority
Okmulgee, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and 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 Okmulgee County Criminal Justice Authority, a component unit of Okmulgee County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated February 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2015-1 to be a material weaknesses.

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. We consider the deficiency described in the accompany schedule of findings and questioned costs as 2015-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Okmulgee 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 statements 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*.

Okmulgee County Criminal Justice Authority's Response to Findings

The Authority's response to the findings identified in our audit is described the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 compliances. This report is an integral part of an audit preformed 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.



Clothier & Company, CPA's, P.C.

February 12, 2016

