

Rogers County Criminal Justice Authority

Independent Auditor's Report
and Financial Statements

For the Year Ended June 30, 2011

Rogers County Criminal Justice Authority
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June 30, 2011

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Rogers County Criminal Justice Authority
Management Discussion & Analysis
For the Year Ended June 30, 2011

Our discussion and analysis of Rogers County Criminal Justice Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2011. Please review it in conjunction with the transmittal letter and Authority's basic financial statements, which begin on Page 6.

FINANCIAL HIGHLIGHTS

Total assets decreased \$272,535 from fiscal year 2010.

Sales tax revenues accounted for \$2,091,210 or 93% of all revenues.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

Reporting the Authority as a Whole.

The Statement of Net Assets and the Statement of Activities

Our analysis of the Authority as a whole begins on page 6. The Statement of Net Assets and the Statement of Activities report information about the Authority as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. You can think of the Authority's net assets, the difference between the assets, what the Authority owns, and liabilities, what the Authority owes, as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors.

THE AUTHORITY AS A WHOLE

The Authority's total net assets changed from a year ago, decreasing from \$9,649,826 to \$9,377,290. Our analysis below focuses on the net assets and changes in net assets of the Authority's activities.

	FY2011	FY2010	Change
Current and other assets	\$ 3,009,852	\$ 3,094,720	\$ (51,535)
Capital assets (net)	6,334,105	6,555,105	(221,000)
Intangible assets (net)	0	0	(0)
Total Assets	\$ 9,377,290	\$ 9,649,826	\$ (272,536)
Long-term liabilities	\$ 0	\$ 0	\$ (0)
Other liabilities	0	0	(0)
Total Liabilities	\$ 0	\$ 0	\$ (0)
Net Assets – Unrestricted	\$ 9,377,290	\$ 9,649,826	\$ (272,536)
	FY2011	FY2010	Change
Sales tax revenues	\$ 2,091,210	\$ 2,453,741	\$ (362,531)
Other revenues	178,278	176,097	2,181
Total Revenues	2,269,488	2,629,838	(360,350)
Sheriff's fund expenses	\$ 2,298,649	\$ 2,961,444	\$ (662,795)
Depreciation/amortization	220,999	293,192	(72,193)
Other expenses	0	0	(0)
Professional fees	4,250	4,250	(0)
Insurance	18,124	22,963	(4,839)
Interest expense	0	18,270	(18,270)
Total Expenses	\$ 2,542,023	\$ 3,301,619	\$ (759,596)
Increase (Decrease) in Net Assets	\$ (272,535)	\$ (671,780)	\$ (399,245)

Kirkendall & Swindell CPAs, PLLC

Certified Public Accountant

405 W. Claremore St.

Claremore, OK 74017

(918) 342-5474

Independent Auditor's Report

Board of Trustees

Rogers County Criminal Justice Authority

We have audited the accompanying statement of net assets of ***Rogers County Criminal Justice Authority*** as of June 30, 2011, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the year then ended. The financial statements are the responsibility of ***Rogers County Criminal Justice Authority's*** management. 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 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 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 ***Rogers County Criminal Justice Authority*** as of June 30, 2011, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011 on our consideration of the ***Rogers County Criminal Justice Authority*** internal control over financial reporting and our tests of 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 conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information of pages 1 through 2 are not a required part of the basic financial statements but are required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively compromise the basic financial statements taken as a whole. The introductory section is presented for purposes of additional analysis, and is not a required part of the basic financial statements of *Rogers County Criminal Justice Authority*. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion it.



Kirkendall & Swindell CPAs, PLLC

September 30, 2011

Kirkendall & Swindell CPAs, PLLC
Certified Public Accountant
405 W. Claremore St.
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Report on Internal Control Over Financial Reporting Compliance and on Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees
Rogers County Criminal Justice Authority

We have audited the financial statements of *Rogers County Criminal Justice Authority* for the year ended June 30, 2011, which collectively comprise the basic financial statements, and have issued our report thereon dated September 30, 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.

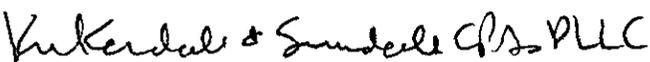
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Rogers County Criminal Justice Authority* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and to not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *Rogers County Criminal Justice Authority* financial statements are free of material misstatement, we performed tests of the 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Authority, and other audit agencies and is not intended to be and should not be used by anyone other than these specified parties.


Kirkendall & Swindell CPAs, PLLC

September 30, 2011

Rogers County Criminal Justice Authority
Statement of Net Assets
June 30, 2011

Assets

Current Assets:

Cash held by County Treasurer	\$ 184,195.91
Sales tax receivable	173,405.02
Prepaid expenses	<u>2,652,250.98</u>
Total Current Assets	3,009,851.91

Restricted Assets:

Certificate of deposit	33,333.34
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Capital Assets:

Property, plant & equipment – net of accumulated depreciation	<u>6,334,105.15</u>
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TOTAL ASSETS	<u>9,377,290.40</u>
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Liabilities and Net Assets

NET ASSETS

Invested in fixed assets – net of related debt	\$ 6,334,105.15
Restricted Net Assets	33,333.34
Unrestricted Net Assets	<u>3,009,851.91</u>
TOTAL NET ASSETS	<u>\$ 9,377,290.40</u>

The accompanying notes are an integral part of these financial statements.

Rogers County Criminal Justice Authority
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2011

CHANGES IN NET ASSETS:

OPERATING REVENUES:

Sales tax revenue	\$ 2,091,209.72
Miscellaneous income	<u>175,692.99</u>

TOTAL OPERATING REVENUES	<u>2,266,902.71</u>
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OPERATING EXPENSES

Sheriff's fund maintenance & operation	2,298,648.83
Professional fees	4,250.00
Insurance	18,124.00
Depreciation	<u>220,999.79</u>

TOTAL EXPENSES	<u>2,542,022.62</u>
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NET INCOME (LOSS) FROM OPERATIONS	<u>(275,119.91)</u>
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OTHER REVENUE (EXPENSES)

Interest income	<u>2,584.60</u>
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NET INCOME (LOSS)	(272,535.31)
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FUND NET ASSETS - BEGINNING OF YEAR	<u>9,649,825.71</u>
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FUND NET ASSETS - END OF YEAR	<u>\$ 9,377,290.40</u>
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The accompanying notes are in integral part of these financial statements.

Rogers County Criminal Justice Authority
Statement of Cash Flows
For the Year Ended June 30, 2011

<u>Cash Flows from Operating Activities</u>	
Cash received from operating activities	\$ 2,262,928.85
Cash payments for operating expenses	(2,674,624.98)
Net Cash Provided (Used) by Operating Activities	<u>(411,696.13)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	<u>0.00</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	<u>0.00</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	<u>2,584.60</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(409,111.53)
Cash and Cash Equivalents – Beginning	<u>626,640.78</u>
Cash and Cash Equivalents – Ending	<u>\$ 217,529.25</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Net Income (Loss) from Operations	\$ (275,119.91)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	220,999.79
Changes in Assets and Liabilities:	
Increase in sales tax receivable	(3,973.86)
Increase in prepaid expenses	<u>(353,602.15)</u>
Net Cash Provided by Operating Activities	<u>\$ (411,696.13)</u>

The accompanying notes are an integral part of these financial statements.

Rogers County Criminal Justice Authority

Notes to Financial Statements

June 30, 2011

I. Summary of Significant Accounting Policies

Authority - The Rogers County Criminal Justice Authority (the "Authority") is a public trust created by a declaration of Trust dated May 1, 1997, pursuant to the laws of the State of Oklahoma, Title 60, Oklahoma Statutes 1991, Sections 176-180.3, inclusive and the Oklahoma Trust Act. The purpose of the Authority is to acquire and construct a county jail and/or other detention facility within the territorial limits of Rogers County, Oklahoma and for providing and conducting criminal justice intervention and preventions programs.

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

The Authority adopted the provisions of GASB Statement No. 34 "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*" in fiscal year 2005. Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section, a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components—invested in capital assets, net of related debt; restricted; and unrestricted.

The adoption of Statement 34 had no effect on the basic financial statements except for the classification of net assets, the reflection of capital contributions as a change in net assets and the inclusion of a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

A. Financial Reporting Entity

The Authority complies with GASB Statement No. 14, "*The Financial Reporting Entity*." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate Authorities for which the elected officials of the primary government are financially accountable and other Authorities for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what Authority should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

B. Basis of Presentation

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Rogers County Criminal Justice Authority

Notes to Financial Statements

June 30, 2011

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an “*economic resources*” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority’s enterprise fund is charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budget Presentation

There is not budget to actual comparison presentation included with the financial statements.

E. Assets, Liabilities and Net Assets

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Fair Value of Financial Instruments

The Authority’s financial statements include cash and investments. The Authority’s estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Authority to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The Authority has not experienced any losses on its cash equivalents.

Rogers County Criminal Justice Authority
Notes to Financial Statements
June 30, 2011

I. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Net Assets (continued)

Restricted Cash

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use.

Capital Assets

The fixed assets are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation.

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.

All reported capital assets are depreciated on the straight-line basis over the estimated useful lives ranging from five to fifty years.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. *Invested in capital assets, net of related debt* --- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. *Restricted net assets* --- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* --- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Changes in Property and Equipment

The changes in property and equipment for the year ended June 30, 2011 were as follows:

	Balance at <u>7/1/10</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>6/30/11</u>
Land & leasehold improvements	\$ 8,385,695	\$	\$	\$ 8,385,695
Furniture & equipment	<u>561,959</u>			<u>561,959</u>
	8,947,654	<u>\$ 0</u>	<u>\$ 0</u>	8,947,654
Accumulated Deprec.	<u>(2,392,550)</u>	<u>\$ (221,000)</u>	<u>\$ 0</u>	<u>(2,613,550)</u>
Net Property, Plant & Equipment	<u>\$ 6,555,104</u>			<u>\$ 6,334,104</u>

June 30, 2011

I. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Net Assets (continued)

Use of Estimates

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

II. Detailed Notes Concerning the Funds

Cash Held by County Treasurer

In accordance with the Master Bond Indenture and the Second Supplemental Bond Indenture, the Authority established an account with the Rogers County Treasurer.

General Fund – The General Fund was established and maintained with excess sales tax revenue transferred by the trustee to the Rogers County Treasurer. The funds may be used for payment of all operation and maintenance expenses for the current year. Also, the Authority may transfer any or all unused funds to the trustee, at any time, to make up any deficiencies in payment to another fund.

The cash balance of the General Fund Account at June 30, 2011 was \$184,196. This balance was secured by federal depository insurance or by collateral held by the pledging bank the County's name.

Sales Tax Receivable

As of June 30, 2011 the Authority had accrued sales taxes receivable for the month of June 2011 in the amount of \$173,405.

Lease Agreement

The Authority has entered into a lease agreement with the Rogers County Board of Commissioners of Rogers County, Oklahoma, and the Authority has agreed to build certain improvements on a portion of such property and to use the 1/3% County Sales Tax proceeds received by the Authority for the payment of costs of construction of such improvements, payment of any indebtedness incurred by or on behalf of the Rogers County Board of Commissioners by the Authority and to pay for the operation and maintenance expenses of the criminal justice system.

The lease term is from June 1, 1997 to May 31, 2017 and continued thereafter if any indebtedness incurred by the Authority and secured by the leased property or its revenues remains unpaid.

Accounts Payable

Accounts payable consists of operating expenses that were unpaid at June 30, 2011.

Prepaid Sheriff's Fund

Prepaid expenses consist of money paid to the sheriff's fund for operation, maintenance and administration expenses for the Criminal Justice System that were approved by the annual budget for the year ended June 30, 2011 in the amount of \$2,298,649.