

County of Solano
Office of the Auditor-Controller



AN AUDIT OF THE
INMATE WELFARE FUND
OF SOLANO COUNTY

Independent Auditor's Report and Financial Statements
For the fiscal years ended June 30, 2013 and 2012

Auditor-Controller: Simona Padilla-Scholtens, CPA
Assistant Auditor-Controller: Phyllis Taynton, CPA
Auditor: Victoria Wu, CPA

**Inmate Welfare Fund of Solano County
For the fiscal years ended June 30, 2013 and 2012**

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**Inmate Welfare Fund of Solano County
For the fiscal years ended June 30, 2013 and 2012**

Inmate Welfare Fund Committee *

Angelica Russell	Director of Administrative Services
Gary Elliott	Undersheriff
Gary Faulkner	Captain
Renee Smith	Inmate Program and Services Manager
Joseph Prudhomme	Public Member/Chaplain

* As of report date

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OFFICE OF THE AUDITOR-CONTROLLER

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County Auditor-Controller

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Phyllis Taynton, CPA
Assistant Auditor-Controller

Independent Auditor's Report

Inmate Welfare Fund Committee
of Solano County
530 Union Street
Fairfield, CA 94533

Report on the Financial Statements

We have audited the accompanying financial statements of the Inmate Welfare Fund of Solano County (the Fund), as of and for the fiscal years ended June 30, 2013 and June 30, 2012, and the related notes to the financial statements which collectively comprise the Fund's basic financials statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 error or fraud. In making those risk assessments, the auditor considers internal control relevant to the Fund'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 Fund'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund, as of June 30, 2013 and 2012, and the respective changes in the financial position for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In connection with the audit contained herein, there are certain disclosures that are necessary pursuant to *Government Auditing Standards*, more specifically, the general standard related to independence. As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing, and financial reporting functions. These activities could impair an audit organization's independence. Specifically, "auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit."

Although the Auditor-Controller is statutorily obligated to maintain the accounts of departments, districts, or funds that reside within the county treasury, we believe that the following safeguard and division of responsibility exist: the Internal Audit Division has the responsibility to perform audits within the Auditor-Controller's Office and as such has no other responsibility for the accounts and records being audited including the approval or posting of financial transactions that would therefore preclude the reader of this report from relying on the information contained therein.

As disclosed in Note I. A., the financial statements referred to above present only the financial position of the Inmate Welfare Fund and do not purport to, and do not, present fairly the financial position of the County of Solano, as of June 30, 2013 and 2012, and the changes in its financial position for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.


Simona Padilla-Scholten, CPA
Auditor-Controller

January 9, 2015

**Inmate Welfare Fund of Solano County
Statement of Fiduciary Net Position
Private Purpose Trust Fund
June 30, 2013 and 2012**

	<u>6/30/2013</u>	<u>6/30/2012</u>
ASSETS		
Current assets:		
Cash	\$ 582,745	\$ 592,802
Commissions receivable	63,694	40,841
Prepaid expense	2,246	2,246
Total current assets	<u>648,685</u>	<u>635,889</u>
Noncurrent assets:		
Capital assets		
Equipment	77,661	77,661
Less accumulated depreciation	(72,684)	(71,227)
Total noncurrent assets	<u>4,977</u>	<u>6,434</u>
Total assets	<u>\$ 653,662</u>	<u>\$ 642,323</u>
LIABILITIES		
Outstanding warrants	\$ 7,389	\$ 6,287
Accounts payable	96,694	82,372
Due to other agencies	10,442	33,634
Deferred revenue	17,500	16,500
Total liabilities	<u>132,025</u>	<u>138,793</u>
NET POSITION		
Held in trust for individuals	<u>521,637</u>	<u>503,530</u>
Total liabilities and net position	<u>\$ 653,662</u>	<u>\$ 642,323</u>

The notes to the financial statements are an integral part of this statement.

**Inmate Welfare Fund of Solano County
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the fiscal years ended June 30, 2013 and 2012**

	6/30/2013	6/30/2012
ADDITIONS		
Program revenues:		
Telephone commissions	\$ 401,535	\$ 337,134
Commissary commissions	325,839	282,492
Sign board commissions	38,600	41,300
Miscellaneous	2,142	866
Total program revenues	768,116	661,792
Investment earnings:		
Interest	3,218	3,673
Total additions	771,334	665,465
DEDUCTIONS		
Program expenses:		
Professional services	551,742	575,985
Administrative	99,316	88,740
Support/care of persons	42,312	37,151
Office costs	23,168	26,578
Books and subscriptions	25,024	28,277
Special departmental	5,681	7,383
Non-capitalized equipment	2,453	10,066
Maintenance	118	-
Depreciation	1,457	1,457
Transportation and travel	759	400
Miscellaneous	1,197	802
Total deductions	753,227	776,839
Change in net position	18,107	(111,374)
Net position - beginning of the year	503,530	614,904
Net position - end of the year	\$ 521,637	\$ 503,530

The notes to the financial statements are an integral part of this statement.

Inmate Welfare Fund of Solano County
Notes to the Financial Statements
For the fiscal years ended June 30, 2013 and 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Solano County is a political subdivision of the State of California. The County is governed by an elected, five-member Board of Supervisors. The Solano County Sheriff's Department administers the Inmate Welfare Fund (Fund) of Solano County.

The Fund was established in accordance with California Penal Code §4025 and provides programs for the benefit, education, and welfare of the inmates confined within the Solano County Adult Detention Facilities. The programs provided include education, drug and alcohol treatment, welfare, library, and other programs deemed appropriate by the Sheriff.

The Sheriff designates a committee to set policies and procedures for the management of the Fund. The Inmate Welfare Fund Committee (Committee) consists of five members, including Sheriff Department employees and private citizens. Once a year, a requested budget is presented to the Inmate Welfare Fund Committee for approval, and then forwarded to the Sheriff for final approval. Requests for funding outside of the budget process must be approved by the Committee and forwarded to the Sheriff. The Committee meets as needed to discuss and recommend new programs and projects for the Sheriff's approval.

The activities of the Fund are accounted for as a private purpose trust fund, a fiduciary fund type, in the basic financial statements of the County of Solano, the reporting entity.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of the Fund are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

A fiduciary fund is used to account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held under the terms of a formal trust agreement. A *private purpose trust fund* is used to account for the Fund's activities.

The *private purpose trust fund*, a fiduciary fund type, uses the economic resources measurement focus and the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Private purpose trust funds are used to account for assets held in trust arrangements under which principal and income benefit specific individuals, private organizations, and other governments.

C. Assets, Liabilities and Net Position

1. Cash and cash equivalents

The Fund's cash in the County Treasury is pooled with the County of Solano. The Fund is a mandatory depositor, pursuant to California Penal Code §4025. The Fund's ability to withdraw large sums of cash from the County Treasury may be subject to certain restrictions set by the County Treasurer.

**Inmate Welfare Fund of Solano County
Notes to the Financial Statements
For the fiscal years ended June 30, 2013 and 2012**

The County's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the County Board of Supervisors. The objectives of the policy (in order of priority) are: legality, preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms of maturity. A detailed breakdown of cash and investments and a categorization of risk factors per GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, are presented in the County of Solano Comprehensive Annual Financial Report.

2. *Commissions receivable*

Commissions receivable represents the amount due from telephone and commissary vendors based on inmate telephone usage and commissary sales according to respective contracts.

3. *Prepaid expenses*

Prepaid items represent payments to vendors for costs applicable to future accounting periods.

4. *Capital assets*

Capital assets include equipment purchased by the Inmate Welfare Fund for the benefit of the inmates. Capital assets are defined by the Fund's capitalization policy as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their fair value on 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's lives are not capitalized.

The Fund's equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Computer equipment	3-7
Office equipment	3-7
Specialty equipment and vehicles	2-20

5. *Outstanding warrants*

Outstanding warrants represent the amount of treasury warrants issued but not yet presented to the Treasurer for payment. When warrants are mailed, expenditures are recorded and an outstanding warrant liability is created, pending payment of the warrant.

6. *Accounts payable*

Accounts payable represents the amounts owed for goods received and/or services rendered.

Inmate Welfare Fund of Solano County
Notes to the Financial Statements
For the fiscal years ended June 30, 2013 and 2012

7. *Due to other agencies*

Represents amounts owed to other governmental agencies outside the reporting entity (i.e., due to the Solano County Sheriff's Department for administrative services).

8. *Deferred revenue*

Deferred revenue represents monies received in advance for services being performed (i.e., advertising/sign boards).

9. *Net position*

The fiduciary fund utilizes a net position presentation. The net position category represents the difference between assets and liabilities.

10. *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. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Additions to Fiduciary Net Position

Pursuant to California Penal Code §4025, any profit from commissary operations, 10% of gross sales from inmate hobbycraft, and any refund, rebate, or commission received from a telephone company that is attributable to the use of pay telephones by inmates shall be deposited in an inmate welfare fund to be kept in the county treasury. In addition, the interest on these funds shall be deposited in the inmate welfare fund.

B. Deductions to Fiduciary Net Position

Pursuant to California Penal Code §4025, funds shall be expended by the sheriff primarily for the benefit, education, and welfare of the inmates confined within the jail, including essential clothing and transportation costs for indigent inmates upon release, and secondarily for maintenance of county jail facilities.

C. Report to Board of Supervisors

In accordance with California Penal Code §4025, an itemized report of fund expenses shall be submitted annually to the Board of Supervisors.

Inmate Welfare Fund of Solano County
Notes to the Financial Statements
For the fiscal years ended June 30, 2013 and 2012

III. DETAILED NOTES

A. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2013 was as follows:

Fund Activities	Beginning Balance	Additions & Transfers- in	Retirements & Transfers- out	Ending Balance
Capital assets being depreciated:				
Equipment	\$ 77,661	-	-	\$ 77,661
Total capital assets, being depreciated	77,661	-	-	77,661
Less accumulated depreciation for:				
Equipment	71,227	1,457	-	72,684
Total accumulated depreciation	71,227	1,457	-	72,684
Total capital assets, being depreciated, net	6,434	(1,457)	-	4,977
Fund activities capital assets, net	\$ 6,434	\$ (1,457)	\$ -	\$ 4,977

Capital assets activity for the fiscal year ended June 30, 2012 was as follows:

Fund Activities	Beginning Balance	Additions & Transfers- in	Retirements & Transfers- out	Ending Balance
Capital assets being depreciated:				
Equipment	\$ 77,661	-	-	\$ 77,661
Total capital assets, being depreciated	77,661	-	-	77,661
Less accumulated depreciation for:				
Equipment	69,770	1,457	-	71,227
Total accumulated depreciation	69,770	1,457	-	71,227
Total capital assets, being depreciated, net	7,891	(1,457)	-	6,434
Fund activities capital assets, net	\$ 7,891	\$ (1,457)	\$ -	\$ 6,434

IV. OTHER INFORMATION

A. Risk Management

The Fund 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 Fund is covered under the County's Blanket Bond for risks of theft or embezzlement of money, errors and omissions. Also, pursuant to the Memorandum of Understanding executed by the Sheriff's Office on August 21, 2002, equipment owned by the Fund is covered under the County's self-insurance program for risks of property loss or damage.

Inmate Welfare Fund of Solano County
Notes to the Financial Statements
For the fiscal years ended June 30, 2013 and 2012

B. Operations

Commissary operations are outsourced to a private company, Aramark Correctional Services, Inc. (Aramark). Aramark is responsible for the sale and delivery of commissary goods to inmates, purchasing and maintaining an adequate inventory level, and providing personnel necessary to conduct business. The Sheriff retains the right to set sale prices. According to the contract, the Sheriff receives weekly sales commissions of 35% from October 1, 2008 through June 30, 2013.

Telephone operations are outsourced to a private company, Global Tel-Link, Inc. (GTL). GTL is responsible for providing all required phone equipment and associated services necessary to support local, intralata and interlata telephone operations. According to the contract, the Sheriff received monthly commissions on the gross completed calls made by inmates. The monthly commission rates are as follows:

<u>Monthly Commission Rate</u>	<u>Period</u>
56%	12/1/2007 – 12/4/2012
70%	12/4/2012 – 11/30/2015

These commissions are deposited to the Fund.