

**Financial Statements and Reports of  
Independent Certified Public Accountant  
Delaware County Justice Authority  
June 30, 2012**

**OBER & ASSOCIATES, INC., PC  
Certified Public Accountants  
124 South Main  
Miami, Oklahoma 74354**

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**Delaware County Justice Authority  
Board of Trustees**

Doug Smith	Chairman
Danny Duncan	Member
Billy Cornell	Member
Carol Fortner	Secretary
Susan Duncan	Treasurer

**Delaware County Justice Authority  
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**OBER & ASSOCIATES INC., PC**

CERTIFIED PUBLIC ACCOUNTANTS  
124 South Main  
Miami, Oklahoma 74354  
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**INDEPENDENT AUDITOR'S REPORT**

To the Trustees of the Delaware County Justice Authority  
Delaware County, Oklahoma

We have audited the accompanying financial statements of the Delaware County Justice Authority, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 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 opinions.

As discussed in Note I, the financial statements present only the Delaware County Justice Authority and do not purport to, and do not, present fairly the financial position of Delaware County, Oklahoma as of June 30, 2012, and the changes in its financial position, or, where applicable, its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Delaware County Justice Authority as of June 30, 2012, and the changes in financial position and cash flows thereof 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 February 5, 2014 on our consideration of the Delaware County Justice 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Trustees of the Delaware County Justice Authority  
Delaware County, Oklahoma

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Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

OBER & ASSOCIATES, INC., PC

OBER & ASSOCIATES, INC., PC  
CERTIFIED PUBLIC ACCOUNTANTS  
February 5, 2014

**OBER & ASSOCIATES INC., PC**

CERTIFIED PUBLIC ACCOUNTANTS  
124 South Main  
Miami, Oklahoma 74354  
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**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 Trustees of the Delaware County Justice Authority  
Delaware County, Oklahoma

We have audited the financial statements of Delaware County Justice Authority as of and for the year ended June 30, 2012, which collectively comprise the Delaware County Justice Authority's basic financial statements and have issued our report thereon dated February 5, 2014. In our report we included an explanatory paragraph stating that the financial statements present only the Delaware County Justice Authority and do not purport to, and do not, present fairly the financial position of Delaware County, Oklahoma as of June 30, 2012. We also stated in our report that management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. 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**

Management of the Delaware County Justice Authority is responsible for establishing and maintaining effective internal control over financial reporting as a basis for designing our auditing procedures 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 Delaware County Justice Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Delaware County Justice Authority's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

**Compliance and Other Matters**

As a part of obtaining reasonable assurance about whether the Delaware County 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 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 or other matters that are required to be reported under *Government Auditing Standards*.

To the Trustees of the Delaware County Justice Authority  
Delaware County, Oklahoma  
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This report is intended solely for the information and use of the Board of Trustees, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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OBER & ASSOCIATES, INC, PC  
CERTIFIED PUBLIC ACCOUNTANTS  
February 5, 2014

**Delaware County Justice Authority**  
**Statement of Net Assets**  
**June 30, 2012**

**ASSETS**

## Current Assets

Cash and Cash Equivalents, Restricted	\$ 150,293.20
Accrued Interest Receivable	1.24
Total Current Assets	<u>150,294.44</u>

## Noncurrent Assets

Due from Other Governments	13,845,000.00
Total Assets	<u>13,995,294.44</u>

**LIABILITIES**

## Current Liabilities

Accrued Interest Payable	52,848.76
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## Long Term Liabilities

Revenue Bond Payable	13,845,000.00
Total Liabilities	<u>13,897,848.76</u>

**NET ASSETS**

Restricted	97,445.68
Unrestricted	-
Total Net Assets	<u><u>\$ 97,445.68</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.



**Delaware County Justice Authority**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2012**

	<u>June 30, 2012</u>
Operating Revenues	
Premiums Received	<u>\$ 791,129.00</u>
Operating Expenses	
Trustee Fees	291.67
Bond Costs	480,578.75
Total Operating Exepenses	<u>480,870.42</u>
Net Income (Loss) from Operations	<u>310,258.58</u>
Non Operating Revenue (Expense)	
Interest Income	1.61
Interest Expense	(212,814.51)
Total Non Operating Revenue (Expense)	<u>(212,812.90)</u>
Net Income (Loss)	97,445.68
Net Assets, Beginning of Year	-
Net Assets, End of Year	<u><u>\$ 97,445.68</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Delaware County Justice Authority  
Statement of Cash Flows  
For the Year Ended June 30, 2012**

	<u>June 30, 2012</u>
<b>Cash Flows from Operating Activities</b>	
Cash Outflows:	
Payments for Goods and Services	<u>(291.67)</u>
Net Cash Provided (Used) by Operating Activities	<u>(291.67)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Bond Issuance Costs	(480,578.75)
Interest Payments on Bonds	(159,965.75)
Bond Premium Received	446,129.00
Judgment Premium Received	345,000.00
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>150,584.50</u>
<b>Cash Flows from Investing Activities</b>	
Interest Received from Investments	<u>0.37</u>
<b>Net Cash Inflow (Outflow) from All Activities</b>	150,293.20
Cash and Cash Equivalents at Beginning of Year	-
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 150,293.20</u></u>
Cash and Cash Equivalents	150,293.20
Restricted U.S. Treasuries	-
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 150,293.20</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Delaware County Justice Authority  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**I. Summary of Significant Accounting Policies**

The following notes to the financial statements are an integral part of Delaware County Justice Authority's financial statements.

The Delaware County Justice Authority (Authority) was established as a public trust under and pursuant to the laws of the State of Oklahoma (generally, but not exclusively, Sections 176-180.3, inclusive of Title 60, Oklahoma Statutes 2001 Supplement and the Oklahoma Trust Act) on behalf of the County of Delaware, Oklahoma naming the County as the beneficiary. A judgment was entered against the County in Case #09-CV-407-JHP/TLW before the United States District Court for the Northern District of Oklahoma on December 1, 2011 (the "Judgment"), of which the County owes \$13,500,000 plus interest at 2.50% through the final payment date. The County has requested that the Authority issue its Sales Tax Revenue Bonds, Series 2012A (the "Series 2012A Bonds") and its Sales Tax Revenues Revenue Bonds, Series 2012B (the "Series 2012B Bonds") (together, the "Bonds") in the principal amount of \$13,845,000 and loan the proceeds to the County for the purposes of satisfying the Judgment, and the Authority has agreed to such request.

A majority of the qualified voters of the County voting at an election held on April 3, 2012 approved the levying of an additional one half of one percent sales tax to provide revenues to be used to pay the principal and interest on the Bonds issued by the Authority the proceeds of which are used to pay and satisfy the balance due and owing on the Judgment and pay accrued interest.

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.

**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 organizations for which the elected officials of the primary government are financially accountable and other organizations 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 organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

The Authority is a component unit of Delaware County, Oklahoma and will be included in Delaware County's basic financial statements.

**Delaware County Justice Authority  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**I. Summary of Significant Accounting Policies (continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net assets. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements.

In addition, the District 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 District has elected not to follow FASB pronouncements issued since that date.

**C. Assets, Liabilities, Net Assets and Revenues**

**1. 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.

**2. Fair Value of Financial Instruments**

The Authority's financial statements include cash and investments. The Authority's estimate of the fair value of all financial instruments does 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.

**3. Restricted Assets**

Restricted assets include investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the bond indenture require that funds be held in a revenue fund, a bond fund which consists of a principal account and an interest account, a bond proceeds fund, and improvement account. Under the terms and provisions of the indenture, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the bonds are outstanding.

**Delaware County Justice Authority  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities, Net Assets and Revenues (continued)**

**4. Accrued Interest**

Interest payments on the 2012 A & B Series Bonds are due semi-annually on March 1 and September 1 each year until maturity. Interest payable is accrued from March 1 through June 30 on all bonds.

**5. Long-Term Obligations**

Long-term debt is reported as a liability in the Authority's balance sheet. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as "other noncurrent assets" and amortized over the term of the related debt also using the straight-line method.

**6. 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 bonds, 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."

**7. Revenues**

**Sales Tax Revenue Bond Series 2012A and B**

Delaware County began levying an additional one half of one percent sales tax on April 2, 2012 to provide revenues to be used to pay the principal and interest on the Bonds issued by the Authority, the proceeds of which are used to pay and satisfy the balance due and owing on the Judgment and pay accrued interest.

A Revenue Fund has been created. All sales tax revenues shall be collected by the County and deposited, on behalf of the Authority, in the Sales Tax Fund maintained by BancFirst pursuant to a depository agreement between the Authority and BancFirst. Subsequently, the Authority shall transfer or shall cause BancFirst to transfer the Sales Tax Revenues to the Trustee for deposit in the Revenue Fund.

**Delaware County Justice Authority  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities, Net Assets and Revenues (continued)**

**8. 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 certain 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. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Delaware County Justice Authority. The use of budgets and monitoring of equity status facilitate the Authority's compliance with legal requirements. The Authority did not prepare a budget for the 2012 fiscal year.

**III. Detailed Notes Concerning Funds**

**A. Deposits and Investments**

State statutes govern the Authority's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Authority invests entirely in U.S. Treasury Securities.

*Custodial Credit Risk – Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's cash deposits, including interest-bearing certificates of deposit and U.S. Treasury Securities, are maintained in financial institutions. As of June 30, 2012 none of Authority's deposits were exposed to custodial credit risk.

*Interest rate risk:* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Repurchase agreements:* The Authority is invested in Federated Treasury Obligations Fund. According to the Financial Square Treasury Obligations Fund holdings report, 71.4% of the investments are subject to repurchase agreements. The Authority's investments are collateralized by Treasury securities; however, current and future earnings are subject to risk.

**Delaware County Justice Authority  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**III. Detailed Notes Concerning Funds (continued)**

**B. Long-Term Debt**

Sales Tax Revenue Bonds Series 2012A&B

On May 1, 2012, the Authority issued \$13,845,000 in sales tax revenue bonds with interest rates ranging between 2.00% and 4.00%. The bonds were issued to provide funds to pay and satisfy the balance due and owing on the Judgment, to fund capitalized interest and to pay the costs and expenses of and incidental to, the issuance and sale of the bonds.

Interest on the bonds is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> at varying rates. Principal payments are due annually on September 1<sup>st</sup>.

Debt service requirements for the Series 2012A&B bonds are:

Year Ended June 30,	Rate	Principal	Interest	Total Requirements
2013	2.00%	\$ -	\$ 388,021.19	\$ 388,021.19
2014	2.00%	605,000.00	494,622.50	1,099,622.50
2015	4.00%	620,000.00	482,372.50	1,102,372.50
2016	4.00%	630,000.00	463,572.50	1,093,572.50
2017	4.00%	660,000.00	437,772.50	1,097,772.50
2018-2022	Variable	3,720,000.00	1,762,862.50	5,482,862.50
2022-2026	Variable	4,485,000.00	1,013,980.00	5,498,980.00
2027-2030	Variable	3,125,000.00	178,968.75	3,303,968.75
		<u>\$ 13,845,000.00</u>	<u>\$ 5,222,172.44</u>	<u>\$ 19,067,172.44</u>

**C. Changes in Long-Term Debt**

Long-term debt consists of bonds payable. The following is a summary of the changes in long-term debt of the Authority for the fiscal year.

	Balance 6/30/2011	Proceeds	Payments	Balance 6/30/2012	Due Within One Year
Bonds Payable	<u>\$ -</u>	<u>\$ 13,845,000.00</u>	<u>\$ -</u>	<u>\$ 13,845,000.00</u>	<u>\$ -</u>

**Delaware County Justice Authority  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**IV. Other Information**

**A. 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; injuries to employees and natural disasters. The Authority carries commercial insurance for risks of loss. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

**B. Subsequent Events**

Management has evaluated subsequent events through February 5, 2014, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.