

**POTTAWATOMIE COUNTY**  
**PUBLIC SAFETY CENTER TRUST**

(A Component Unit of Pottawatomie County, OK)  
**Financial Statements**  
**For the Year Ended June 30, 2014**

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**Pottawatomie County Public Safety Center Trust  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

The following discussion and analysis of the financial performance of Pottawatomie County Public Safety Center Trust (the Authority) provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Authority's financial statements, which begin on page 8.

**Financial Highlights**

- ❖ During the year ended June 30, 2014 the Authority's net position increased to \$8,818,742 from \$8,516,773 in 2013. This increase is primarily due to funds generated through operations.
- ❖ Change in net position decreased from \$1,465,157 in 2013 to \$ 301,969 in 2014. This decrease was due primarily to a decrease in sales tax revenues and an increase in personnel expense.

**Overview of the Financial Statements**

The report on audit of financial statements is presented in two sections: financial, and supplementary. The Authority has elected to present the financial statements in accordance with the business-type activities format, as designated by the Authority's primary government, Pottawatomie County. Accordingly, the financial section of this report includes Management's Discussion and Analysis (as required supplementary information); the Statement of Net position; the Statement of Revenues, Expenses, and Changes in Net position; the Statement of Cash Flows; and explanatory Notes to the Financial Statements, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis—for State and Local Governments*.

**The Basic Financial Statements**

One of the most important questions asked about the Authority is whether it is better off or worse off as a result of the year's financial activities. The Statement of Net position and the Statement of Revenues, Expenses, and Changes in Net position report information about the Authority as a whole and about its activities in a way that answers this question. These statements include *all* assets and *all* liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. The accrual basis of accounting reports the current year's revenues and expenses regardless of when cash is actually received or disbursed.

**Pottawatomie County Public Safety Center Trust  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the Authority's net position and changes to them. You can think of the Authority's net position—the difference between assets and liabilities – as one way to measure the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will also need to consider non-financial factors, however, such as changes in requirements of the programs funded by the Authority, in addition to the condition of its physical facilities, to fully assess the overall health of the Authority.

**Financial Analysis of the Authority as a Whole**

The Authority's net position increased from a year ago. The following amounts are from the statement of net position, page 8, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

**Pottawatomie County Public Safety Center Trust  
Net Position  
June 30, 2014 and 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>
Current Assets	\$ 3,291,923	\$ 2,923,729	\$ 368,194
Noncurrent assets	<u>5,752,099</u>	<u>7,412,134</u>	<u>(1,660,035)</u>
Total assets	<u>9,044,022</u>	<u>10,335,863</u>	<u>(1,291,841)</u>
Current liabilities	\$ 225,280	\$ 1,819,090	\$ (1,593,810)
Noncurrent liabilities			
Total liabilities	<u>225,280</u>	<u>1,819,090</u>	<u>(1,593,810)</u>
<b>Net Position:</b>			
Investment in capital assets	\$ 5,752,099	\$ 4,440,706	\$ 1,311,393
Restricted net position	28,143	1,477,723	(1,448,980)
Unrestricted net position	<u>3,037,900</u>	<u>2,598,344</u>	<u>439,556</u>
Total net position	<u>\$ 8,818,742</u>	<u>\$ 8,516,773</u>	<u>\$ 301,969</u>

Net Position increased by \$ 301,969 from a year ago.

**Pottawatomie County Public Safety Center Trust  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

The Authority's net revenues decreased \$ 1,163,188 from a year ago. The following amounts are from the Statement of Revenue, Expenses, and Changes in Net Position from page 9.

**Pottawatomie County Public Safety Center Trust  
Operating Results  
Year Ended June 30, 2014 and 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>
Operating revenues	\$ 3,538,019	\$ 4,406,390	\$ (868,371)
Operating expenses	<u>3,293,338</u>	<u>3,633,930</u>	<u>(340,592)</u>
Operating income (loss)	<u>244,681</u>	<u>772,460</u>	<u>(527,779)</u>
Net non operating revenues	<u>57,288</u>	<u>692,697</u>	<u>(635,409)</u>
Change in net position	<u>301,969</u>	<u>1,465,157</u>	<u>(1,163,188)</u>
Net position, beginning	8,516,773	7,051,616	1,465,157
Net position, ending	<u>\$ 8,818,742</u>	<u>\$ 8,516,773</u>	<u>\$ 301,969</u>

The Authority's net position increased \$ 301,969 from a year ago. The following amounts were taken from the Statement of Net Position on page 8.

**Pottawatomie County Public Safety Center Trust  
Analysis of Net Position  
Year Ended June 30, 2014 and 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>
Net position:			
Investment in capital assets	\$ 5,752,099	\$ 4,440,706	\$ 1,311,393
Restricted	28,743	1,477,723	(1,448,980)
Unrestricted	<u>3,037,900</u>	<u>2,598,344</u>	<u>439,556</u>
Total net position	<u>\$ 8,818,742</u>	<u>\$ 8,516,773</u>	<u>\$ 301,969</u>

**Pottawatomie County Public Safety Center Trust  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

The Authority's overall cash and cash equivalents increased by \$ 617,174 from a year ago. The following amounts are from the Statement of Cash Flows on page 10.

**Pottawatomie County Public Safety Center Trust  
Cash Flows  
Year Ended June 30, 2014 and 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>
Cash provided (used) by:			
Operating activities	\$ 676,209	\$ 941,698	\$ (265,489)
Capital and related financing activities	( 59,035)	(113,539)	54,504
Investing activities	<u>0</u>	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	617,174	828,159	(210,985)
Cash and cash equivalents, beginning	<u>2,297,539</u>	<u>1,469,380</u>	<u>828,149</u>
Cash and cash equivalents, ending	<u>\$ 2,914,713</u>	<u>\$ 2,297,539</u>	<u>\$ 617,174</u>

**Capital Assets and Debt Administration  
Capital Assets**

At June 30, 2014, the Authority's investment in capital assets decreased by \$ 213,608 from a year ago. Capital assets are building and improvements, equipment, vehicles and software. The net decrease is principally due to depreciation expense.

**Pottawatomie County Public Safety Center Trust  
Capital Assets, Net  
Year Ended June 30, 2014 and 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>
Capital assets:	\$ 8,143,068	\$ 8,123,871	\$ 19,197
Less: accumulated depreciation	<u>2,390,969</u>	<u>2,158,164</u>	<u>232,805</u>
Capital assets, net	<u>\$ 5,752,099</u>	<u>\$ 5,965,707</u>	<u>\$ (213,608)</u>

**Debt Administration**

Pottawatomie County Public Safety Center Trust issued Sales Tax Revenue Bonds Series 2003 on November 1, 2003. The bonds were issued for the purpose of building and operating a new jail facility. The bonds are a special limited obligation of the Authority payable solely from pledged sales tax revenues, provided in the proposition approved by the electorate on June 11, 2002.

The interest on the outstanding bonds is payable semiannually on March 1 and September 1 of each year commencing on March 1, 2004 until the principal amount of the bonds is paid. A portion of the bonds mature annually over a ten year period and are paid on September 1. On September 1, 2013 the final payment was made and all bonds from this issue paid.

**Pottawatomie County Public Safety Center Trust  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

**Economic Factors and Authority's Future**

The Pottawatomie County Public Safety Center Trust's (The Trust) board considered factors when setting the budget, rates, and fees that will be charged for the The Trust's services. One of these factors is the economy.

**Contacting the Authority's Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information contact Pottawatomie County Public Safety Center Trust, 14209 Highway 177, Shawnee, Oklahoma 74804.

# ROBERT D. TURNER C.P.A.

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## Independent Auditor's Report

Board of Trustees  
Pottawatomie County Public Safety Center Trust  
Shawnee, Oklahoma

I have audited the accompanying statement of Net Position of the Pottawatomie County Public Safety Center Trust, a component unit of Pottawatomie County, Oklahoma, as of June 30, 2014 and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended and the related notes to the financial statements, comprising the basic financial statements of Pottawatomie County Public Safety Center Trust.

### **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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with 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. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pottawatomie County Public Safety Center Trust, as of June 30, 2014, and the changes in its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 1 through 5 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. I have applied certain limited procedures to the management's discussion and analysis 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued my report dated December 10, 2014, on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

*Robert D. Turner*

Robert D. Turner, CPA  
Lawton, Oklahoma  
December 10, 2014

**Pottawatomie County Public Safety Center Trust**

**Statement of Net Position  
June 30, 2014**

**ASSETS**

Current Assets:

Cash, Operating	\$ 376,132
Cash, Payroll	19,908
Cash, Inmate	25,812
Cash, Bail Bonds	19,143
Cash, Sales Tax	878,529
Cash, Reserve	292,084
Cash, Emergency Fund	<u>1,303,105</u>

Total Cash 2,914,713

Sales Tax Receivable	253,007
Accounts Receivable	<u>124,203</u>

Total Current Assets 3,291,923

Non Current Assets:

Capital Assets (net of accumulated depreciation)	<u>5,752,099</u>
Total Noncurrent Assets	<u>5,752,099</u>

**TOTAL ASSETS** \$ 9,044,022

**LIABILITIES AND NET POSITION**

Current Liabilities:

Accounts Payable	\$ 70,952
Bail Bonds	19,132
Payable to Inmates	9,611
Accrued Payroll Payable	63,811
Accrued Absences Payable	45,776
Accrued Payables	15,998
Total Current Liabilities	<u>\$ 225,280</u>

**NET POSITION**

Investment in Capital Assets	\$ 5,752,099
Restricted Net Position (Note 5)	28,743
Unrestricted Net Position	<u>3,037,900</u>

**TOTAL NET POSITION** \$ 8,818,742

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

**Pottawatomie County Public Safety Center Trust**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2014**

<b>Operating Revenues:</b>	
County Funds	\$ 228,375
Sales Tax (20%)	1,480,884
Incarceration Fees	1,623,511
Other Income	205,249
Total Operating Revenues	<u>3,538,019</u>
<b>Operating Expenditures:</b>	
Salaries	1,540,822
Payroll Taxes	132,513
Health Insurance	81,698
Retirement	144,628
Workmen's Comp. Insurance	128,620
Total Personnel	<u>2,028,281</u>
<b>Other Expenses:</b>	
Depreciation	232,805
Insurance	89,741
Professional Fees	35,236
Telephone and Video	31,667
Vehicle	26,827
Supplies, Cleaning	26,665
Supplies, Inmate Other	26,170
Supplies, Office	26,870
Supplies, Maintenance	28,504
Supplies, Other	27,241
Supplies Uniforms	4,852
Meals	399,329
Medical	68,575
Personnel Training and Testing	2,261
Rental, Equipment	3,862
Repairs and Maintenance	60,664
Other Operating	21,905
Utilities	151,883
Total Other Expenditures	<u>1,265,057</u>
Total Operating Expenditures	<u>3,293,338</u>
<b>Operating Income</b>	<b>244,681</b>
<b>Non Operating Revenues(Expenditures)</b>	
Sales Tax Receipts	62,674
Tax Bond Interest	4,890
Amortization	(10,276)
Net Non Operating Revenues (Expenditures)	<u>57,288</u>
<b>Change in Net Position</b>	<b>301,969</b>
Beginning Net Position	8,516,773
Ending Net Position	<u>\$ 8,818,742</u>

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

**Pottawatomie County Public Safety Center Trust**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from County	\$ 228,375
Receipts Sales Tax(20%)	1,535,973
Receipts from Incarceration Fees	1,785,952
Payments to Employees	(2,023,707)
Payments to Suppliers	(1,053,081)
Other Receipts	202,697
Net Cash Provided (Used) Operating Activities	<u>676,209</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Net Change in Capital Assets	(19,197)
Decrease Investments, Bond Issue	1,446,428
Bonds Matured	(1,525,000)
Sales Tax Receipts (5%)	62,674
Investment Interest, Bond	4,890
Bond Interest Expense and Amortization	(28,830)
Net Cash Provided by (Used) Capital and Related Financing Activities	<u>(59,035)</u>

Net Increase (Decrease) in Cash	617,174
Cash Balance - Beginning of the Year	2,297,539
Cash Balance - End of the Year	<u>2,914,713</u>

**Reconciliation of Operating Income (Loss) to Net Cash Provided(Used) Operating Activities:**

Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:

Operating Income(Loss)	244,681
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Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:

Depreciation	232,805
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Change in Assets and Liabilities:

Accounts Receivable	162,441
Sales Tax Receivable	55,089
Accounts Payable	(5,618)
Accrued Payroll Payable	2,223
Accrued Absences Payable	2,350
Accrued Payables	(15,210)
Bail Bonds Payable	13,265
Inmate Trust Fund Payable	(15,817)
Net Cash Provided(Used) by Operating Activities	<u>\$ 676,209</u>

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

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2014**

**1. Reporting Entity and Nature of Operations**

The Pottawatomie County Public Safety Center Trust (the Trust) a component unit of Pottawatomie County) was created February 4, 2002 under the provisions of Title 60 of Oklahoma Statutes. One of the purposes of the Trust was to construct and operate a county adult detention center in the county of Pottawatomie, Oklahoma. These financial statements of the Trust are required to be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for the establishing governmental accounting and financial reporting principles. The more significant accounting policies and practices are described below.

In evaluating how to define the entity for financial statement purposes, management evaluated the Trust on a number of criteria. The basic, but not only, criterion is the Trust's financial accountability to the primary government (Pottawatomie County). Financial accountability is measured through the degree to which the primary government can appoint a voting majority of the governing body, impose its will, ascertain a potential financial benefit, or face a potential financial burden with regard to the potential component unit.

Based on the above criterion, it was determined that the Trust is a component unit of the County. The accompanying financial statements include only the operations of the Trust, and not those of Pottawatomie County.

**2. Summary of accounting policies**

This report is prepared in conformity with GAAP and the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 establishes standards for external financial reporting for all state and local governmental entities which include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

Basis of Accounting - The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the accounting period in which the liability is incurred.

Operating revenues for the Trust result from providing adult detention services in connection with its principal ongoing operations. Operating expenses include personnel cost, facility cost, supplies, general administrative, and depreciation on capital assets. Revenues and expenses not meeting those definitions are reported as nonoperating revenues and expenses.

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2014**

Government-wide Financial Statements - The adopted GASB Statements require that the overall financial condition of the Authority be displayed in three entity-wide financial statements. These are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These include all financial activity of the Authority.

The financial statements are presented using the “business-type activities” approach. Business-type activities are those that provide specific, divisible services to residents or businesses and are funded primarily by user charges.

GASB Statement No. 34 requires that the Statement of Net Position classify net position into three components: investment in capital assets, restricted, and unrestricted. These classifications are defined as follows.

Investment in Capital Assets - This component of net position 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. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the net position component as the unspent proceeds.

Restricted Net Position - This component of net position consists of constraints placed on net position use through external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.

Unrestricted Net Position - This component of net position consists of the net position that does not meet the definition of “restricted” or “net investment in capital assets.”

During the year ended June 30, 2014, the Trust adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (“GASB 70”). The purpose of GASB 70 is to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The Trust’s management has concluded that adoption of GASB 70 has no significant impact on the Trust’s financial reporting process.

Deferred Outflows of Resources - In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Trust had no deferred outflows as of June 30, 2014.

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2014**

Deferred Inflows of Resources - In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Trust had no deferred outflows as of June 30, 2014.

Long Lived Assets - Management reviews the recoverability of its long-lived assets in accordance with the provisions of GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. GASB 42 requires recognition of impairment of long-lived assets in the event the assets service utility has declined significantly and unexpectedly. Accordingly, management evaluates assets' recoverability annually or when an event occurs that may impair recoverability of the asset.

Adoption of Recent Accounting Standards - During the year ended June 30, 2014, the Trust adopted GASB Statement No. 66, *Technical Corrections - 2012* ("GASB 66"). The purpose of GASB 66 is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* ("GASB 62"). The Trust's management has concluded that adoption of GASB 66 has no significant impact on the Trust's financial reporting process.

New Accounting Pronouncements - The GASB has issued several new account pronouncements, which will be effective for the Trust in subsequent years. A description of the new accounting pronouncements and the fiscal year in which they are effective are described below:

*Fiscal Year Ended June 30, 2015:*

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). The purpose of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of GASB 68 are effective for periods beginning after June 15, 2014. Earlier application is encouraged.

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2014**

In January of 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB 69"). The purpose of GASB 69 is to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations. The provisions of GASB 69 are effective for periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

In November of 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"). The purpose of GASB 71 is to improve accounting and financial reporting by addressing an issue regarding application of an issue in GASB Statement No. 68 ("GASB 68"), *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of GASB 68 by employers and nonemployer contributing entities. The provisions of GASB 71 should be applied simultaneously with the provisions of GASB 68.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities and net position, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents - The Authority considers cash on hand, demand deposits, interest bearing accounts, and investments with a maturity of 90 days or less to be cash and cash equivalents except for cash and investments restricted for the bond program.

Accounts Receivable - The Authority bills different agencies for providing jail facilities to inmates of these agencies. The Authority has not established an allowance for doubtful accounts because uncollectible accounts are insignificant.

Capital Assets - Capital assets are stated at cost, net of accumulated depreciation. Acquisitions of property and equipment with a useful life of more than one year are



**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2014**

recorded as additions to capital assets. Depreciation of property and equipment has been calculated on the estimated useful lives using the straight-line method as follows:

<u>Type of Asset</u>	<u>Years</u>
Buildings and improvements	40
Vehicle	5
Equipment	5-10
Software	5

**CAPITAL ASSET SCHEDULE**  
**JUNE 30, 2014**

	<u>Beginning Balance June 30, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance June 30, 2014</u>
<b>Assets Being Depreciated:</b>				
Buildings and improvements	\$ 7,557,693	\$	\$	\$ 7,557,693
Vehicles	131,554			131,554
Equipment	363,020	19,197		382,217
Software	<u>71,604</u>	<u>          </u>	<u>          </u>	<u>71,604</u>
<b>Total Assets Being Depreciated</b>	<u>8,123,871</u>	<u>19,197</u>	<u>          </u>	<u>8,143,068</u>
 <b>Less Accumulated Depreciation:</b>				
Buildings and improvements	1,741,986	189,460		1,931,446
Vehicles	122,451	2,804		125,255
Equipment	279,407	28,481		307,888
Software	<u>14,320</u>	<u>12,060</u>	<u>          </u>	<u>26,380</u>
<b>Total Accumulated Depreciation</b>	<u>2,158,164</u>	<u>232,805</u>	<u>          </u>	<u>2,390,969</u>
<b>Net Capital Assets</b>	<u>\$ 5,965,707</u>	<u>(\$ 213,608)</u>	<u>\$</u>	<u>\$ 5,752,099</u>

Statement of Cash Flows - In accordance with GAAP the accompanying financial statements include a Statement of Cash Flows which is presented using the direct method.

Income Tax Status - The Authority qualifies as an organization exempt from income taxes. As a government instrumentality, no provision has been made for federal or state income taxes.

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Budget -Title 60 requires public trusts to have budgets. This budget requirement does not set legal appropriations therefore; a budget to actual statement is not required.

**3. Deposits and Deposit Risk**

The Pottawatomie County Public Safety Center Trust is governed by the deposit and investment limitations of state law. The Authority held the following deposits at June 30, 2014 of \$ 2,934,807.

Custodial Credit Risk - Deposits in financial institutions, reported as components of cash and cash equivalents at June 30, 2014 were fully insured by depository insurance or secured with collateral held by the Authority's agent in its name.

Investment Interest Rate Risk - The Authority has no normal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

Concentration of Investment Credit Risk - The Authority places no limit on the amount it may invest in any one issuer.

**4. Restricted Net Position**

Inmate Moneys - The Authority maintains a trust account for each inmate. Deposits to these accounts include funds the inmate had with him/her when arrested or deposits made by families and friends of the inmate. These funds are funds owed to the inmates. Net Position has been restricted for the amount owed to the inmates on June 30, 2014. This amount was \$ 9,611.

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Bail Bond - These funds are received for inmates to post bond. The funds are restricted to this use and are not funds available to the Authority. This amount was \$ 19,132.

The total restricted net position at June 30, 2014 is \$ 28,743 as follows:

Cash, owed to inmate	\$ 9,611
Cash, bail bond	<u>19,132</u>
Total Net Position Restricted	<u>\$ 28,743</u>

### **5. Ground Lease**

Annually the Authority executes an option to renew the ground lease with the County.

Under the terms of this lease the Authority is responsible for all insurance coverage, maintenance and repairs.

The land remains the property of Pottawatomie County. Upon the expiration or termination of the lease agreement the land and all improvements revert to Pottawatomie County.

### **6. Risk Management**

As described in note 5, the lease agreement requires certain insurance coverage be provided by the Authority. This coverage includes fire and extended coverage on Building; comprehensive general public liability and property damage and workmen's compensation. Property & Liability Protection Plan – The Authority is a member of the Association of County Commissioners of Oklahoma Self-Insurance Group (ACCO-SIG). The lines of coverage and limits of liability afforded by ACCO-SIG are subject to a \$ 25,000 deductible and are as follows:

Property- Per Schedule on file with the Authority.

Blanket Bond- \$ 100,000 each and every loss.

Casualty - \$ 25/125/1,000,000 any one claim; law enforcement liability \$ 2,000,000 any one claim; public officials errors & omissions \$ 2,000,000 any one claim, any one member; auto liability & physical damage \$ 1,000,000 any one claim.

Public Officials Wrongful Acts - \$ 2,000,000.

Workmen's Compensation- Workers compensation is covered through participation in ACCO-SIG workers compensation program. Risk of loss retained is limited to the excess of insurance liability coverage limits set by ACCO-SIG.

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**7. Employee Retirement System**

Plan Description - The Authority participates in the Oklahoma Public Employees Retirement System, a cost sharing multiple employer defined benefit public employee retirement system, which is administered by the board of trustees of the Oklahoma Public Employees Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Title 74 Section 901 et seq., as amended of the Oklahoma statutes established benefit provisions and may be amended only through legislative action. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to OPERS, P.O. Box 53007, Oklahoma City, OK 73152-3007, or by calling 1-800-733-9008.

At June 30, 2013 (the most recent data available), the Plan's membership consisted of:

	<u>2013</u>	<u>2012</u>
Retirees and beneficiaries currently receiving benefits	31,135	30,263
Terminated vested participants	5,595	5,497
Active Participants	<u>43,273</u>	<u>42,569</u>
Total	<u>80,003</u>	<u>78,329</u>

Benefits - Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the members age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on

**Pottawatomie County Public Safety Center Trust**  
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the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

State, County and Local Agency Employees - Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule 90 if the participant became a member on or after November 1, 2011.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004 legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare.

The Medicare Gap benefit option became available to members under age 65 who retire on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.

Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Contributions - The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates.

Each member participates based on their qualifying gross salary earned excluding overtime. There is no cap on the qualifying gross salary earned subject to Internal Revenue Service (IRS) limitations on compensation.

The contribution rates for the Authority and its employees are established by and may be amended by Oklahoma statute. The rates are applied to the employee's earnings plus employer paid fringe benefits. The required contribution for participating members is 3.5%. There is an optional contribution step-up of an additional 2.5% for participating members.

For 2013 and 2012 contributions of participating county and local agencies totaled 20.0% of salary composed of a minimum employee contribution rate of 3.5% up to a maximum of 8.5% and a minimum employer contribution rate of 11.5% up to a maximum of 16.5%. The Authority contributes 15% and the employee 5%.

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Total contributions by the Authority are:

<u>Year</u>	<u>Percent</u>	<u>Amount</u>
2014	15	\$144,628
2013	15	\$161,897
2012	15	\$189,956

Participating Employers - At June 30, 2013 (the most recent data available), the number of participating employers was as follows:

	<u>2013</u>	<u>2012</u>
State agencies	121	127
County Governments	75	75
Local government towns and cities	28	28
Other local governmental units	<u>59</u>	<u>57</u>
Total	<u>283</u>	<u>287</u>

Funding Status - At July 1, 2013 (the most recent data available), the actuarial value of total assets in the plan was \$6,978,873,421, with a total actuarial accrued liability of \$ 8,556,121,906. This represents a funded ratio of 81.6 percent for the plan as a whole.

Optional Plan Description - The Authority employees are also offered participation in a defined contribution plan administered by Nationwide Retirement Solutions. There is no matching provision of contributions.

**8. Subsequent Events**

Management has evaluated subsequent events through December 10, 2014 which is the date the financial statements were available to be issued.

# ROBERT D. TURNER C.P.A.

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Pottawatomie County Public Safety Center Trust  
Lawton, Oklahoma

I have audited, in accordance with the 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, the financial statements of Pottawatomie County Public Safety Center Trust, and as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Pottawatomie County Public Safety Center Trust's basic financial statements, and have issued my report thereon date December 10, 2014.

### **Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Pottawatomie County Public Safety Center Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pottawatomie County Public Safety Center Trust's internal control. Accordingly, I do not express an opinion on the effectiveness of Pottawatomie County Public Safety Center Trust's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pottawatomie County Public Safety Center Trust's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robert D. Turner*

Robert D. Turner, CPA  
December 10, 2014