

POTTAWATOMIE COUNTY
PUBLIC SAFETY CENTER TRUST

(A Component Unit of Pottawatomie County, OK)
Financial Statements
For the Year Ended June 30, 2015

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**Pottawatomie County Public Safety Center Trust
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

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, 2015. Please read it in conjunction with the Authority's financial statements, which begin on page 8.

Financial Highlights

- ❖ During the year ended June 30, 2015 the Authority's net position decreased to \$7,950,626 from \$8,818,742 in 2014. This decrease is primarily due to a decrease in incarceration fees, an adjustment to comply with GASB 68, and loss of direct funding from the County.
- ❖ Change in net position decreased from \$301,969 in 2014 to a loss of \$435,522 in 2015. This decrease was due primarily to a decrease incarceration fees and loss of direct funding from the County.

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, 2015**

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 decreased 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			
<u>June 30, 2015 and 2014</u>			
	<u>June 30, 2015</u>	<u>June 30, 2014*</u>	<u>Increase (Decrease)</u>
Current Assets	\$ 2,836,667	\$ 3,291,923	\$ (455,256)
Noncurrent assets	<u>5,657,230</u>	<u>5,752,099</u>	<u>(94,869)</u>
Total assets	<u>8,493,897</u>	<u>9,044,022</u>	<u>(550,125)</u>
Deferred outflows of resources	148,991		148,991
Current liabilities	\$ 247,927	\$ 225,280	\$ 22,047
Noncurrent liabilities	<u>95,085</u>	<u> </u>	<u>95,085</u>
Total liabilities	<u>343,012</u>	<u>225,280</u>	<u>117,132</u>
Deferred inflows of resources	349,250		349,250
Net Position:			
Investment in capital assets	\$ 5,657,230	\$ 5,752,099	\$ (94,869)
Restricted net position	17,294	28,743	(11,449)
Unrestricted net position	<u>2,276,102</u>	<u>3,037,900</u>	<u>(761,798)</u>
Total net position	<u>\$ 7,950,626</u>	<u>\$ 8,818,742</u>	<u>\$ (868,116)</u>

Net Position decreased by \$ 868,116 from a year ago, \$432,594 of this decrease was due to the prior period adjustment to comply with GASB 68.

*Prior year amounts not restated for MDA purposes.

**Pottawatomie County Public Safety Center Trust
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

The Authority's net revenues decreased \$737,491 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, 2015 and 2014**

	<u>June 30, 2015</u>	<u>June 30, 2014*</u>	<u>Increase (Decrease)</u>
Operating revenues	\$ 2,749,284	\$ 3,538,019	\$ (788,735)
Operating expenses	<u>3,184,806</u>	<u>3,293,338</u>	<u>(108,532)</u>
Operating income (loss)	<u>(435,522)</u>	<u>244,681</u>	<u>(680,203)</u>
Net non operating revenues	<u> </u>	<u>57,288</u>	<u>(57,288)</u>
Change in net position	<u> </u>	<u>301,969</u>	<u>(737,491)</u>
Net position, beginning	8,386,148	8,516,773	(130,625)
Net position, ending	<u>\$ 7,950,626</u>	<u>\$ 8,818,742</u>	<u>\$ (868,116)</u>

The Authority's net position decreased \$ 868,116 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, 2015 and 2014**

	<u>June 30, 2015</u>	<u>June 30, 2014*</u>	<u>Increase (Decrease)</u>
Net position:			
Investment in capital assets	\$ 5,567,230	\$ 5,752,099	\$ (94,869)
Restricted	17,294	28,743	(11,449)
Unrestricted	<u>2,276,102</u>	<u>3,037,900</u>	<u>(7,617,987)</u>
Total net position	<u>\$ 7,950,626</u>	<u>\$ 8,818,742</u>	<u>\$ (868,116)</u>

*Prior year amounts not restated for MDA purposes.

**Pottawatomie County Public Safety Center Trust
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

The Authority's overall cash and cash equivalents decreased by \$ 427,351 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, 2015 and 2014**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Cash provided (used) by:			
Operating activities	\$ (282,455)	\$ 676,209	\$ (958,664)
Capital and related financing activities	(144,896)	(59,035)	(85,861)
Investing activities	<u>0</u>	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	(427,351)	617,174	(1,044,525)
Cash and cash equivalents, beginning	<u>2,914,713</u>	<u>2,297,539</u>	<u>617,174</u>
Cash and cash equivalents, ending	<u>\$ 2,487,362</u>	<u>\$ 2,914,713</u>	<u>\$ (427,351)</u>

**Capital Assets and Debt Administration
Capital Assets**

At June 30, 2015, the Authority's investment in capital assets decreased by \$ 94,869 from a year ago. Capital assets are building and improvements, equipment, vehicles and software. The net decrease is principally due to depreciation expense. (See Note 3 page 16.)

**Pottawatomie County Public Safety Center Trust
Capital Assets, Net
Year Ended June 30, 2015 and 2014**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Capital assets:	\$ 8,287,964	\$ 8,143,068	\$ 144,896
Less: accumulated depreciation	<u>2,630,734</u>	<u>2,390,969</u>	<u>239,765</u>
Capital assets, net	<u>\$ 5,657,230</u>	<u>\$ 5,752,099</u>	<u>\$ 94,869</u>

**Pottawatomie County Public Safety Center Trust
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

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, 2015 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, 2015, 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, the Schedule of Trust's Proportionate Share of Net Pension Liability Oklahoma Public Employee Retirement Plan (page 27), and the Schedule of the Trust's Contributions Oklahoma Public Employee Retirement Plan (page 28) 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, the Schedule of Trust's Proportionate Share of Net Pension Liability Oklahoma Public Employee Retirement Plan and the Schedule of the Trust's Contributions Oklahoma Public Employee Retirement Plan 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 15, 2015, 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 15, 2015

Pottawatomie County Public Safety Center Trust

**Statement of Net Position
June 30, 2015**

ASSETS	
Current Assets:	
Cash, Operating	\$ 348,926
Cash, Payroll	5,343
Cash, Inmate	12,387
Cash, Bail Bonds	4,913
Cash, Sales Tax	519,155
Cash, Reserve	292,229
Cash, Emergency Fund	<u>1,304,409</u>
Total Cash	2,487,362
Sales Tax Receivable	247,104
Accounts Receivable	<u>102,201</u>
Total Current Assets	2,836,667
Non Current Assets:	
Capital Assets (net of accumulated depreciation)	<u>5,657,230</u>
Total Noncurrent Assets	<u>5,657,230</u>
TOTAL ASSETS	<u><u>\$ 8,493,897</u></u>
DEFERRED OUTFLOW OF RESOURCES:	
Deferred Amounts Related to Pensions	\$ 148,991
LIABILITIES AND NET POSITION	
Current Liabilities:	
Accounts Payable	106,718
Bail Bonds	4,907
Payable to Inmates	12,387
Accrued Payroll Payable	64,265
Accrued Absences Payable	50,359
Accrued Payables	<u>9,291</u>
Total Current Liabilities	<u>247,927</u>
Noncurrent Liabilities:	
Net Pension Liability	<u> </u>
Total Noncurrent Liabilities	<u> </u>
Total Liabilities	#VALUE!
DEFERRED INFLOWS OF RESOURCES:	
Deferred Amounts Related to Pensions	349,250
NET POSITION	
Investment in Capital Assets	5,657,230
Restricted Net Position (Note 5)	17,294
Unrestricted Net Position	<u>2,276,102</u>
TOTAL NET POSITION	<u><u>\$ 7,950,626</u></u>

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, 2015

Operating Revenues:

Sales Tax (20%)	\$ 1,540,976
Incarceration Fees	1,024,514
Other Income	183,794
Total Operating Revenues	<u>2,749,284</u>

Operating Expenditures:

Salaries	1,476,876
Payroll Taxes	123,095
Health Insurance	124,912
Pension Expense	6,300
Workmen's Comp. Insurance	134,694
Total Personnel	<u>1,865,877</u>

Other Expenses:

Depreciation	239,765
Insurance	84,742
Professional Fees	37,568
Telephone and Video	30,174
Vehicle	17,965
Supplies, Cleaning	18,010
Supplies, Inmate	29,027
Supplies, Office	15,244
Supplies, Maintenance	20,169
Supplies, Other	10,337
Supplies, Operational	22,259
Supplies Uniforms	2,099
Meals	363,468
Medical	200,126
Professional Dues and Member Fees	9,853
Rental, Equipment	3,667
Repairs and Maintenance	39,039
Other Operating	16,474
Utilities	158,943
Total Other Expenditures	<u>1,318,929</u>
Total Operating Expenditures	<u>3,184,806</u>

Operating Income (435,522)

Change in Net Position

Beginning Net Position(Note 9)	<u>8,386,148</u>
Ending Net Position	<u><u>\$ 7,950,626</u></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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts Sales Tax(20%)	\$ 1,546,879
Receipts from Incarceration Fees	1,046,516
Payments to Employees	(1,988,799)
Payments to Suppliers	(1,059,395)
Other Receipts	<u>172,344</u>
Net Cash Provided (Used) Operating Activities	<u>(282,455)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of Assets	<u>(144,896)</u>
Net Cash Provided by (Used) Capital and Related Financing Activities	<u>(144,896)</u>

Net Increase (Decrease) in Cash	(427,351)
Cash Balance - Beginning of the Year	<u>2,914,713</u>
Cash Balance - End of the Year	<u>2,487,362</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)	(435,522)
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Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:

Depreciation	239,765
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Change in Assets and Liabilities:

Accounts Receivable	22,002
Sales Tax Receivable	5,903
Accounts Payable	35,767
Accrued Payroll Payable	9,745
Accrued Absences Payable	4,583
Accrued Payables	(15,998)
Bail Bonds Payable	(14,225)
Net Pension Liability	(137,250)
Inmate Trust Fund Payable	2,775
Net Cash Provided(Used) by Operating Activities	<u>\$ (282,455)</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, 2015

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, 2015

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.”

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.

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

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2015

applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 – 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.

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 have been applied simultaneously with the provisions of GASB 68.

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, 2015

New Accounting Pronouncements - The GASB has issued several new accounting 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, 2016

- *Statement No. 72, Fair Value Measurement and Application*

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Authority does not expect significant impact from the implementation of this statement.

- *Statement No. 73 Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of Statement 68, and amendments to Certain Provisions of GASB Statements 67 and 68*

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The Authority has not yet determined the impact that implementation of GASB No. 73 will have on its net position.

- *GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2015

framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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 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

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.

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.

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2015

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, Oklahoma Public Employees Retirement Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

3. Capital Asset

CAPITAL ASSET SCHEDULE
JUNE 30, 2015

	Beginning Balance <u>June 30, 2014</u>	<u>Increase</u>	<u>Decrease</u>	Ending Balance <u>June 30, 2015</u>
Assets Being Depreciated:				
Buildings and improvements	\$ 7,557,693	\$ 100,900		\$ 7,658,593
Vehicles	131,554			131,554
Equipment	382,217	43,996		426,213
Software	<u>71,604</u>	<u> </u>	<u> </u>	<u>71,604</u>
Total Assets Being Depreciated	<u>8,143,068</u>	<u>144,896</u>	<u> </u>	<u>8,287,964</u>
Less Accumulated Depreciation:				
Buildings and improvements	1,931,446	190,786		2,122,232
Vehicles	125,255	2,800		128,055
Equipment	307,888	34,119		342,007
Software	<u>26,380</u>	<u>12,060</u>	<u> </u>	<u>38,440</u>
Total Accumulated Depreciation	<u>2,390,969</u>	<u>239,765</u>	<u> </u>	<u>2,630,734</u>
Net Capital Assets	<u>\$ 5,752,099</u>	<u>(\$ 94,869)</u>	<u>\$ </u>	<u>\$ 5,657,230</u>

4. 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, 2015 of \$ 2,497,580.

Custodial Credit Risk - Deposits in financial institutions, reported as components of cash and cash equivalents at June 30, 2015 were fully insured by depository insurance or secured with collateral held by the Authority's agent in its name.

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2015

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.

5. 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, 2015. This amount was \$ 12,387.

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 \$ 4,907.

The total restricted net position at June 30, 2015 is \$ 17,294 as follows:

Cash, owed to inmate	\$ 12,387
Cash, bail bond	<u>4,907</u>
Total Net Position Restricted	<u><u>\$ 17,294</u></u>

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2015

6. 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.

7. 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 ACCO-SIG.

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

Casualty –

Comprehensive, personal liability - \$25/125/1000,000.

Law enforcement, employment practices liability - \$2,000,000 per occurrence

Employment benefits, automobile liability - \$25/125/1,000,000.

Criminal defense reimbursement - \$20,000 per claim, with a \$100,000 annual aggregate per plan period.

Sexual misconduct legal expenses - \$175,000 per claim with a \$350,000 annual aggregate per plan period.

Medical payments for volunteers - \$20,000 per claim

Cyber liability coverage - \$2,000,000 per occurrence.

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.

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2015

8. Employee Retirement System

Plan description - The Trust as the employer, participates in Oklahoma Public Employees Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Title 74 of

the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPERS. OPERS issues a publicly available financial report that can be obtained at www.opers.ok.gov

Benefits provided - OPERS provides retirement, disability, and death benefits to members of the plan. 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 member's 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.

Benefits are calculated for each member category as follows:

- 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. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. 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 of 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

Pottawatomie County Public Safety Center Trust
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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 retired 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.
- Benefits are determined at (a) 2.5% of the final average compensation up to the applicable annual salary cap multiplied by the number of years of service as a hazardous duty member not to exceed 20 years and (b) 2.0% of the final average compensation multiplied by the number of years of service in excess of 20 years and any other years of service creditable. Normal retirement age under the Plan is 62 or at completion of 20 years of creditable service as a hazardous duty member or Rule of 80/90 if participant became a member prior to November 1, 2011, or age 65 or at completion of 20 years of creditable service as a hazardous duty member or Rule of 90 if 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 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.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Upon the death of a retired member, the Plan will pay a \$5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2015

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.

Employees are required to contribute 5% percent of their annual pay. Participating entities are required to contribute 15% of the employees' annual pay. Contributions to the pension plan from the Trust were \$143,550.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Trust reported a liability of \$95,085 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Trust's proportion of the net pension liability was based on the Trust's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the Trust's proportion was .0518 percent. For the year ended June 30, 2015, the Trust recognized pension expense of \$6,300. At June 30, 2015, the Trust reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 31,480
Changes of assumptions	5,441	-
Net difference between projected and actual earnings on pension plan investments	-	317,770
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	-
Authority contributions subsequent to the measurement date	143,550	-
Total	\$ 148,991	\$ 349,250

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2015

\$143,550 reported as deferred outflows of resources related to pensions resulting from Trust contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$	(91,610)
2017		(91,610)
2018		(81,149)
2019		(79,441)

Actuarial Assumptions- The total pension liability as of June 30, 2014, was determined based on an actuarial valuation prepared as of July 1, 2014, using the following actuarial assumptions:

- Investment return – 7.5% compounded annually net of investment expense and including inflation
- Salary increases – 4.5% to 8.4% per year including inflation
- Mortality rates – Active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 3.0%
- Payroll growth – 4.0% per year
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2014, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2015

asset allocation percentage and by adding expected inflation. The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
Total	100.0%	

Discount Rate- The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2113 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>(6.5%)</u>	<u>Rate (7.5%)</u>	<u>(8.5%)</u>
Employers' net pension liability	\$ 591,975	\$ 95,085	\$ (327,343)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPERS; which can be located at www.opers.ok.gov .

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2015

9. Prior Period Adjustment

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.

The Authority adopted GASB 68 for the year ending June 30, 2015.

Prior Period Adjustments

Beginning net position was restated as of July 1, 2015 as follows:

Beginning net position, as of June 30, 2015	\$ 8,818,742
Implementation of GASB Statement No 68	<u>(432,594)</u>
Beginning net position, restated	<u>\$ 8,386,148</u>

10. Subsequent Events

Management has evaluated subsequent events through December 15, 2015 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, 2015, 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 15, 2015.

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 15, 2015

Pottawatomie County Public Safety Center Trust

**Schedule of the Trust's Proportionate Share of the Net Pension Liability
Oklahoma Public Employees Retirement Plan
Last 10 Fiscal Years***

	<u>2015</u>
Trust's Proportion of the Net Pension Liability	0.0518%
Trust's Proportionate of the Net Pension Liability	\$ 95,085
Trust Covered-Employee Payroll	\$ 964,173
Trust's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	10.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.90%

*The amounts present for each fiscal year were determined as of June 30.

Notes to Schedule:

Only the current year is presented because 10 year data is not yet available.

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

Pottawatomie County Public Safety Center Trust

**Schedule of the Trust's Contributions
Oklahoma Public Employees Retirement Plan
Last 10 Fiscal Years***

	<u>2015</u>
Contractually Required Contribution	\$ 143,550
Contributions in Relation to the Contractually Required Contribution	<u>143,550</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Trust Covered-Employee Payroll	\$ 957,000
Contribution as a Percentage of Coverd-Employee Payroll	15.00%

Notes to Schedule:

Only the current year is presented because 10 year data is not yet available.

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