

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

**Financial Statements**  
**For the Year Ended June 30, 2013**

## **Table of Contents**

|   | <b><u>Pages</u></b> |
|---|---------------------|
| <b><u>Financial</u></b>   |                     |
| Management's Discussion and Analysis  | 1-5                 |
| Independent Auditor's Report  | 6-7                 |
| Basic Financial Statements  |                     |
| Statements of Net Position  | 8                   |
| Statements of Revenues, Expenses, and Changes in Net Position   | 9                   |
| Statements of Cash Flows  | 10                  |
| Notes to Financial Statements   | 11                  |
| 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 <i>Government Auditing Standards</i> | 21-22               |

**Pottawatomie County Public Safety Center Trust  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

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, 2013. Please read it in conjunction with the Authority's financial statements, which begin on page 6.

**Financial Highlights**

- ❖ During the year ended June 30, 2013 the Authority's net position increased to \$8,516,773 from \$7,051,616 in 2012. This increase is primarily due to an increase in incarceration fees.
- ❖ Net revenues increased from \$1,439,946 in 2012 to \$ 1,465,157 in 2013. This increase was due primarily to an increase in incarceration fees.

**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, 2013**

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.

| <b>Pottawatomie County Public Safety Center Trust</b> |                      |                      |                                |
|---|----------------------|----------------------|--------------------------------|
| Net Position  |                      |                      |                                |
| <u>June 30, 2013 and 2012</u>                         |                      |                      |                                |
|   | <u>June 30, 2013</u> | <u>June 30, 2012</u> | <u>Increase<br/>(Decrease)</u> |
| Current Assets  | \$ 2,923,729         | \$ 2,020,031         | \$ 903,698                     |
| Noncurrent assets                                     | <u>7,412,134</u>     | <u>7,729,118</u>     | <u>(316,984)</u>               |
| <b>Total assets</b>                                   | <u>10,335,863</u>    | <u>9,749,149</u>     | <u>586,714</u>                 |
| Current liabilities                                   | 1,819,090            | 1,172,533            | 646,557                        |
| Noncurrent liabilities                                | <u>1,525,000</u>     | <u>1,525,000</u>     | <u>(1,525,000)</u>             |
| <b>Total liabilities</b>                              | <u>1,819,090</u>     | <u>2,697,533</u>     | <u>(878,443)</u>               |
| <b>Net Position:</b>                                  |                      |                      |                                |
| Invested in capital assets,<br>Net of related debt    | 4,440,706            | 3,662,050            | 778,656                        |
| Restricted Net Position                               | 1,477,723            | 1,648,107            | (170,384)                      |
| Unrestricted Net Position                             | <u>2,598,344</u>     | <u>1,741,459</u>     | <u>856,885</u>                 |
| <b>Total net position</b>                             | <u>\$ 8,516,773</u>  | <u>\$ 7,051,616</u>  | <u>\$ 1,465,157</u>            |

Net Position increased by \$ 1,465,157.

**Pottawatomie County Public Safety Center Trust  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

The Authority's net revenues increased from \$ 1,439,946 in 2012 to \$ 1,465,157 in 2013. The following amounts are from the statement of Revenue and Expenses and Changes in Net Position from page 9.

**Pottawatomie County Public Safety Center Trust  
Operating Results  
Year Ended June 30, 2013 and 2012**

|                                   | <u>June 30, 2013</u> | <u>June 30, 2012</u> | <u>Increase<br/>(Decrease)</u> |
|-----------------------------------|----------------------|----------------------|--------------------------------|
| Operating revenues                | \$ 4,406,390         | \$ 4,152,321         | \$ 254,069                     |
| Operating expenses                | <u>3,633,930</u>     | <u>3,606,666</u>     | <u>27,264</u>                  |
| Operating income (loss)           | <u>772,460</u>       | <u>545,655</u>       | <u>226,805</u>                 |
| Non operating revenues (expenses) | <u>692,697</u>       | <u>894,291</u>       | <u>(201,594)</u>               |
| Net Revenues (loss)               | <u>1,465,157</u>     | <u>1,439,946</u>     | <u>25,211</u>                  |
| Net position, beginning           | 7,051,616            | 5,611,670            | 1,439,946                      |
| Net position, ending              | <u>\$ 8,516,773</u>  | <u>\$ 7,051,616</u>  | <u>\$ 1,465,157</u>            |

The Authority's net position increased from \$ 7,051,616 in 2012 to \$ 8,516,773 in 2013. 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, 2013 and 2012**

|   | <u>June 30, 2013</u> | <u>June 30, 2012</u> | <u>Increase<br/>(Decrease)</u> |
|---|----------------------|----------------------|--------------------------------|
| Net position:                                   |                      |                      |                                |
| Invested in capital assets, net of related debt | \$ 4,440,706         | \$ 3,662,050         | \$ 778,656                     |
| Restricted                                      | 1,477,723            | 1,648,467            | (107,744)                      |
| Unrestricted                                    | <u>2,598,344</u>     | <u>1,741,099</u>     | <u>857,245</u>                 |
| Total net position                              | <u>\$ 8,516,773</u>  | <u>\$ 7,051,616</u>  | <u>\$ 1,465,157</u>            |

**Pottawatomie County Public Safety Center Trust  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

The Authority's overall cash and cash equivalents increased by \$ 828,149 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, 2013 and 2012**

|   | <u>June 30, 2013</u> | <u>June 30, 2012</u> | <u>Increase<br/>(Decrease)</u> |
|---|----------------------|----------------------|--------------------------------|
| Cash provided (used) by:                                |                      |                      |                                |
| Operating activities                                    | \$ 941,698           | \$ 761,967           | \$ 179,731                     |
| Capital and related financing activities                | (113,539)            | (26,799)             | (86,740)                       |
| Investing activities                                    | <u>0</u>             | <u>0</u>             | <u>0</u>                       |
| Net increase (decrease) in cash<br>and cash equivalents | 828,159              | 735,168              | 92,991                         |
| Cash and cash equivalents, beginning                    | <u>1,469,380</u>     | <u>734,222</u>       | <u>735,158</u>                 |
| Cash and cash equivalents, ending                       | <u>\$ 2,297,539</u>  | <u>\$ 1,469,390</u>  | <u>\$ 828,149</u>              |

**Capital Assets and Debt Administration  
Capital Assets**

At June 30, 2013, the Authority's investment in capital assets decreased by \$ 111,343. Capital assets are building, equipment and vehicles. The net decrease is principally due to depreciation expense.

**Pottawatomie County Public Safety Center Trust  
Capital Assets, Net  
Year Ended June 30, 2013 and 2012**

|                                | <u>June 30, 2013</u> | <u>June 30, 2012</u> | <u>Increase<br/>(Decrease)</u> |
|--------------------------------|----------------------|----------------------|--------------------------------|
| Capital assets:                | \$ 8,123,871         | \$ 8,028,948         | \$ 94,923                      |
| Less: accumulated depreciation | <u>2,158,164</u>     | <u>1,951,898</u>     | <u>206,266</u>                 |
| Capital assets, net            | <u>\$ 5,965,707</u>  | <u>\$ 6,077,050</u>  | <u>\$ (111,343)</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. At June 30, 2013 total outstanding bonds were \$ 1,525,000.

**Pottawatomie County Public Safety Center Trust  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

**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 over view 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 as of June 30, 2013 and the related statements of revenues, expenses and changes in net Position, and cash flows for the year then ended comprising the basic financial statements of the component unit.

### **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, 2013, and the changes in financial position and cash flows thereof and 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 required supplementary information 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 1, 2013, 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, and 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 1, 2013

POTTAWATOMIE COUNTY PUBLIC SAFETY CENTER TRUST  
Statement of Net Position  
June 30, 2013

|  | ADULT<br>DETENTION<br>FUND | JUVENILE<br>DETENTION<br>FUND | TOTAL                |
|--|----------------------------|-------------------------------|----------------------|
| <b>ASSETS</b>                                      |                            |                               |                      |
| Current Assets:                                    |                            |                               |                      |
| Cash, Operating                                    | \$ 477,555                 |                               | \$ 477,555           |
| Cash, Payroll                                      | 5,396                      |                               | 5,396                |
| Cash, Inmate                                       | 72,633                     |                               | 72,633               |
| Cash, Bail Bonds                                   | 5,880                      |                               | 5,880                |
| Cash, Sales Tax                                    | 142,334                    |                               | 142,334              |
| Cash, Emergency Fund                               | 1,301,803                  |                               | 1,301,803            |
| Cash, Reserve                                      | 291,938                    |                               | 291,938              |
| <b>Total Cash</b>                                  | <b>2,297,539</b>           | <b>-</b>                      | <b>2,297,539</b>     |
| Deferred Incentive Payments                        | 31,450                     |                               | 31,450               |
| Sales Tax Receivable                               | 308,096                    |                               | 308,096              |
| Accounts Receivable                                | 286,644                    |                               | 286,644              |
| <b>Total Current Assets</b>                        | <b>2,923,729</b>           | <b>-</b>                      | <b>2,923,729</b>     |
| Non Current Assets:                                |                            |                               |                      |
| Fixed Assets (net of depreciation)                 | 5,965,706                  |                               | 5,965,706            |
| Investment and Cash, Tax Bond                      | 1,446,428                  |                               | 1,446,428            |
| <b>Total Noncurrent Assets</b>                     | <b>7,412,134</b>           | <b>-</b>                      | <b>7,412,134</b>     |
| <b>TOTAL ASSETS</b>                                | <b>\$ 10,335,863</b>       | <b>\$ -</b>                   | <b>\$ 10,335,863</b> |
| <b>LIABILITIES AND NET ASSETS</b>                  |                            |                               |                      |
| Current Liabilities:                               |                            |                               |                      |
| Accounts Payable                                   | \$ 76,570                  |                               | \$ 76,570            |
| Bail Bonds   | 5,867                      |                               | 5,867                |
| Payable to Inmates                                 | 25,428                     |                               | 25,428               |
| Bond Interest Payable                              | 18,554                     |                               | 18,554               |
| Accrued Incentive Payments                         | 31,450                     |                               | 31,450               |
| Accrued Payroll Payable                            | 61,587                     |                               | 61,587               |
| Accrued Absences Payable                           | 43,426                     |                               | 43,426               |
| Accrued Payables                                   | 31,208                     |                               | 31,208               |
| Bonds Payable Current                              | 1,525,000                  |                               | 1,525,000            |
| <b>Total Current Liabilities</b>                   | <b>1,819,090</b>           | <b>-</b>                      | <b>1,819,090</b>     |
| Noncurrent Liabilities:                            |                            |                               |                      |
| Bonds Payable                                      |                            |                               | -                    |
| <b>Total Noncurrent Liabilities</b>                | <b>-</b>                   | <b>-</b>                      | <b>-</b>             |
| <b>TOTAL LIABILITIES</b>                           | <b>1,819,090</b>           | <b>-</b>                      | <b>1,819,090</b>     |
| <b>NET POSITION</b>                                |                            |                               |                      |
| Invested in Capital Assets,<br>Net of Related Debt | 4,440,706                  |                               | 4,440,706            |
| Restricted Net Position (note5)                    | 1,477,723                  |                               | 1,477,723            |
| Unrestricted Net Position                          | 2,598,344                  |                               | 2,598,344            |
| <b>TOTAL NET POSITION</b>                          | <b>\$ 8,516,773</b>        | <b>\$ -</b>                   | <b>\$ 8,516,773</b>  |

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

**POTTAWATOMIE COUNTY PUBLIC SAFETY CENTER TRUST**  
**Statement of Revenues and Expenditures and Changes in Net Position**  
**For the Year Ended June 30, 2013**

|  | <b>ADULT<br/>DETENTION<br/>FUND</b> | <b>JUVENILE<br/>DETENTION<br/>FUND</b> | <b>TOTAL</b>        |
|--|-------------------------------------|--|---------------------|
| <b>Operating Revenues:</b>   |                                     |  |                     |
| County Funds   | \$ 456,750                          |  | \$ 456,750          |
| Sales Tax (20%)  | 1,153,872                           |  | 1,153,872           |
| OJA Contract   |                                     | \$ 464,591                             | 464,591             |
| Incarceration Fees   | 1,903,985                           |  | 1,903,985           |
| Juvenile Housing Fees  |                                     | 139,590                                | 139,590             |
| Other Income   | 256,404                             | 31,198                                 | 287,602             |
|  |                                     |  | -                   |
| <b>Total Operating Revenues</b>  | <b>3,771,011</b>                    | <b>635,379</b>                         | <b>4,406,390</b>    |
| <b>Operating Expenditures:</b>   |                                     |  |                     |
| Salaries   | 1,455,095                           | 320,676                                | 1,775,771           |
| Payroll Taxes  | 128,427                             | 29,358                                 | 157,785             |
| Health Insurance   | 54,530                              | 9,687                                  | 64,217              |
| Retirement   | 139,061                             | 22,836                                 | 161,897             |
| Workmen's Comp. Insurance  | 89,618                              | 40,075                                 | 129,693             |
|  |                                     |  |                     |
| <b>Total Personnel</b>   | <b>1,866,731</b>                    | <b>422,632</b>                         | <b>2,289,363</b>    |
| <b>Other Expenses:</b>   |                                     |  |                     |
| Depreciation   | 233,998                             |  | 233,998             |
| Insurance  | 107,643                             | 26,923                                 | 134,566             |
| Professional Fees  | 26,732                              | 5,932                                  | 32,664              |
| Telephone and Video  | 33,973                              |  | 33,973              |
| Travel   | 522                                 | 523                                    | 1,045               |
| Vehicle  | 20,747                              | 81                                     | 20,828              |
| Supplies, Food   | 398,016                             | 24,869                                 | 422,885             |
| Supplies, Cleaning   | 43,342                              | 2,410                                  | 45,752              |
| Supplies, Inmate Other   | 56,384                              | 3,029                                  | 59,413              |
| Supplies, Office   | 19,410                              | 1,235                                  | 20,645              |
| Supplies, Maintenance  | 26,878                              | 2,378                                  | 29,256              |
| Supplies, Other  | 19,768                              | 7,134                                  | 26,902              |
| Supplies Uniforms  | 1,389                               | 250                                    | 1,639               |
| Medical  | 30,309                              | 23                                     | 30,332              |
| Personnel Training & Testing   | 3,358                               | 1,350                                  | 4,708               |
| Rental, Equipment  | 4,058                               |  | 4,058               |
| Repairs and Maintenance  | 45,215                              | 7,670                                  | 52,885              |
| Other Operating  | 22,788                              | 1,158                                  | 23,946              |
| Utilities  | 151,914                             | 13,158                                 | 165,072             |
|  |                                     |  |                     |
| <b>Total Other Expenditures</b>  | <b>1,246,444</b>                    | <b>98,123</b>                          | <b>1,344,567</b>    |
| <b>Total Operating Expenditures</b>  | <b>3,113,175</b>                    | <b>520,755</b>                         | <b>3,633,930</b>    |
| <b>Excess Operating Revenues over(under)</b>   |                                     |  |                     |
| Operating Expenditures   | 657,836                             | 114,624                                | 772,460             |
| <b>Non Operating Revenues(Expenditures)</b>  |                                     |  |                     |
| Sales Tax Receipts   | 753,571                             |  | 753,571             |
| Tax Bond Interest  | 26,778                              |  | 26,778              |
| Other Income   |                                     |  | -                   |
| Tax Bond Interest  | (87,652)                            |  | (87,652)            |
| Intergovernmental Transfers (net)  | 216,492                             | (216,492)                              | -                   |
| <b>Net Non Operating Revenues (Expenditures)</b>   | <b>909,189</b>                      | <b>(216,492)</b>                       | <b>692,697</b>      |
| <b>Excess of revenues and other sources<br/>over (under) expenditures and other uses</b> | <b>1,567,025</b>                    | <b>(101,868)</b>                       | <b>1,465,157</b>    |
| <b>Beginning Net Position</b>  | <b>6,949,748</b>                    | <b>101,868</b>                         | <b>7,051,616</b>    |
| <b>Ending Net Position</b>   | <b>\$ 8,516,773</b>                 | <b>\$ -</b>                            | <b>\$ 8,516,773</b> |

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**

|   |                             |
|---|-----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                             |
| 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>              |
| <br>  |                             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                                  |                             |
| 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>             |
| <br>  |                             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                             |
| Internal Payments to Other Funds  | <u>                    </u> |
| Net Cash Provided(Used) from Investing Activities   | <u>                    </u> |
| <br>  |                             |
| Net Increase (Decrease) in Cash   | 617,174                     |
| Cash Balance - Beginning of the Year  | <u>2,297,539</u>            |
| Cash Balance - End of the Year  | <u>2,914,713</u>            |
| <br>  |                             |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided(Used) Operating Activities:</b> |                             |
| <br>  |                             |
| <b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>    |                             |
| <br>  |                             |
| Operating Income(Loss)  | 244,681                     |
| <br>  |                             |
| <b>Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>     |                             |
| Depreciation  | 232,804                     |
| <br>  |                             |
| <b>Change in Assets and Liabilities:</b>  |                             |
| Accounts Receivable   | 162,441                     |
| Sales Tax Receivable  | 55,089                      |
| Accounts Payable  | (5,618)                     |
| Accrued Payroll Payable   | 2,224                       |
| 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, 2013**

**1. Organization**

The Pottawatomie County Public Safety Center 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. In addition to the adult detention center, the Trust was also given the responsibility of operating a 12 bed juvenile detention center (Carter Hall) in Pottawatomie County. These financial statements of the Authority are required to be presented in conformity with accounting principles generally accepted in the United States of America 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.

**2. Summary of accounting policies**

This report is prepared in conformity with U.S. Generally accepted Accounting Principles (GAAP) and the provisions of Government Accounting Standards Board (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 have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred. The Statement of Revenues, Expenses, and Changes in Net Position are a statement of financial activities related to the current reporting period.

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: invested in capital assets, net of related debt; restricted, and unrestricted. These classifications are defined as follows.

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2013**

**Invested in Capital Assets, Net of Related Debt** - 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 investment in capital assets, net of related debt. 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 those net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**Inventories** - Costs of supplies and materials are recorded as expenses at the time individual items are purchased.

**Component Unit** - Component units are legally separate organizations for which the officials of the primary entity are financially responsible. In addition, component units can be other organizations which the nature and significance of their relationship with the primary entity are such that the exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Since the Pottawatomie County has no obligation for debt issued by the Authority, it considers the Authority a separate entity and does not include the Authority in its financial statements.

**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.

**Investments** - All investments are recorded at fair value. Investments, tax bonds, are restricted to use in the retirement of the bonds issued to build the new jail.

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2013**

Capital Assets - Acquisitions of property and equipment with a useful life of more than one year are recorded as additions to fixed 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           |
| Equipment                      | 5-20         |
| Office furniture and equipment | 5-10         |

**FIXED ASSET SCHEDULE**  
**JUNE 30, 2013**

|                                       | <u>Beginning<br/>Balance<br/>June 30, 2012</u> | <u>Increase</u>            | <u>Decrease</u>      | <u>Ending<br/>Balance<br/>June 30, 2013</u> |
|---------------------------------------|--|----------------------------|----------------------|---|
| <b>Assets Being Depreciated:</b>      |  |                            |                      |   |
| Buildings                             | \$ 7,557,693                                   | \$                         | \$                   | \$ 7,557,693                                |
| Vehicles                              | 139,554  |                            | 8,000                | 131,554                                     |
| Equipment                             | 320,396  | 62,356                     | 19,732               | 363,020                                     |
| Software                              | <u>11,305</u>                                  | <u>60,299</u>              | <u></u>              | <u>71,604</u>                               |
| <b>Total Assets Being Depreciated</b> | <u><b>8,028,948</b></u>                        | <u><b>122,655</b></u>      | <u><b>27,732</b></u> | <u><b>8,123,871</b></u>                     |
| <b>Less Accumulated Depreciation:</b> |  |                            |                      |   |
| Buildings                             | 1,552,526                                      | 189,460                    |                      | 1,741,986                                   |
| Vehicles                              | 123,283  | 7,168                      | 8,000                | 122,451                                     |
| Equipment                             | 264,784  | 34,355                     | 19,732               | 279,407                                     |
| Software                              | <u>11,305</u>                                  | <u>3,015</u>               | <u></u>              | <u>14,320</u>                               |
| <b>Total Accumulated Depreciation</b> | <u><b>1,951,898</b></u>                        | <u><b>233,998</b></u>      | <u><b>27,732</b></u> | <u><b>2,158,164</b></u>                     |
| <b>Net Capital Assets</b>             | <u><b>\$ 6,077,050</b></u>                     | <u><b>(\$ 111,343)</b></u> | <u><b>\$</b></u>     | <u><b>\$ 5,965,707</b></u>                  |

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2013**

Statements of Cash Flows - In accordance with FASB Statement No. 95, *Statement of Cash Flows*, as amended by FASB Statement No. 117, 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.

Unamortized Bond Discount and Expense - Bond discount and expense are amortized using the straight-line method over the periods of the applicable issues. Bond discount amortized is reported as a component.

### **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, 2013 and reported at fair value of \$ 2,114,355.

Custodial Credit Risk - Deposits in financial institutions, reported as components of cash and cash equivalents at June 30, 2013 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.



**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2013**

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.

Investments Restricted to Tax Bond - Pottawatomie County Public Safety Center Trust has investments held at the trustee bank, which are a part of the bond issue for the new jail. These investments are held by the trustee bank and used in accordance with the bond indenture. The following investments were held at June 30, 2013:

|                         | <u>Rating</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Cost</u>         | <u>Market Value</u> |
|-------------------------|---------------|----------------------|----------------------|---------------------|---------------------|
| Investment Agreement    | A             | 09/01/13             | 3.2%                 | \$ 831,500          | \$ 831,500          |
| Federated Treasury Fund | n/a           | n/a                  | variable             | <u>614,928</u>      | <u>614,928</u>      |
| Total                   |               |                      |                      | <u>\$ 1,446,428</u> | <u>\$ 1,446,428</u> |

**4. Bonds Payable**

Bonds Payable - 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.

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.

The bonds shall bear interest and shall mature in the following amounts on the following dates:

| <u>September 1<br/>Of the Year</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> |
|------------------------------------|-----------------------------|--------------------------|
| 2013                               | <u>\$ 1,525,000</u>         | 3.65                     |
| TOTAL                              | <u>\$ 1,525,000</u>         |                          |

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2013**

**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 have been restricted for the amount owed to the inmates on June 30, 2013. This amount was \$ 25,428.

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 \$ 5,867.

Investments and Cash, Tax Bond – As mentioned in note 3, the Authority has investments and cash held at the trustee bank which is a part of the bond issue. These investments are restricted to use as designated by the bond indenture. This amount was \$ 1,446,428.

The total restriction of net position at June 30, 2013 is \$ 1,648,467 as follows:

|                                |                     |
|--------------------------------|---------------------|
| Cash, owed to inmate           | \$ 25,428           |
| Cash, bail bond                | 5,867               |
| Cash and Investments, tax bond | <u>1,446,428</u>    |
| Total Net Position Restricted  | <u>\$ 1,477,723</u> |

**6. Ground Lease**

Annually the Authority executes an option to renew the ground lease with the County. This lease agreement has been assigned to BancFirst as Trustee for the \$ 8,315,000 Pottawatomie Public Safety Center Trust Sales Tax Revenue Bond Series 2003.

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 6, 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.

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2013**

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 company.

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.

**8. 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> |

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2013**

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 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

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2013**

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 (ISRS) 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%.

Total contributions by the Authority are:

| <u>Year</u> | <u>Percent</u> | <u>Amount</u> |
|-------------|----------------|---------------|
| 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    | 59          | 57          |
| Total                             | <u>283</u>  | <u>287</u>  |

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2013**

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.

**9. Contingencies and Concentrations**

Contingencies - The Authority has a state grant with the Oklahoma Juvenile Association (OJA). This grant is subject to audits by other agencies to include OJA to insure compliance with specific provisions of the grant. Any liability or reimbursement which arises from these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Concentrations - The OJA grant comprises a substantial part of the funding for the Juvenile Detention Fund. If this contract were not renewed or funding decreased, this decrease would have a major effect on the Juvenile Detention services provided by this Authority.

**10. Juvenile Detention Center**

The Pottawatomie County Commissioners elected to out-source the Juvenile Detention Center referred to as Carter Hall. This out sourcing commenced on June 1, 2013. As of this date the Pottawatomie County Public Safety Center Trust no longer functioned as the trustee for this Juvenile Detention Center.

**11. Subsequent Events**

The Authority did not have any subsequent events through December , 2013 which is the date of the financial statements for the year ending June 30, 2013.

# 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  
Shawnee, Oklahoma

I have audited the financial statements of Pottawatomie County Public Safety Center Trust as of and for the year ended June 30, 2013, and have issued my report thereon dated December 1, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Pottawatomie County Public Safety Center Trust's control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pottawatomie County Public Safety Center Trust's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Pottawatomie County Public Safety Center Trust's internal control over financial reporting.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pottawatomie County Public Safety Center Trust's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the finance committee, management, Board of Trustees, Oklahoma State Auditor and Inspector's Office, and the office of Juvenile Affairs and is not intended to be and should not be used by anyone other than these specified parties.

*Robert D. Turner*

Robert D. Turner, C.P.A.  
Lawton, Oklahoma  
December 1, 2013