

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

**Financial Statements**  
**For the Year Ended June 30, 2011**

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**Pottawatomie County Public Safety Center Trust  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

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, 2011. Please read it in conjunction with the Authority's financial statements, which begin on page 6.

**Financial Highlights**

- ❖ During the year ended June 30, 2011 the Authority's net assets increased to \$5,611,670 from \$4,477,539 in 2010. This increase is primarily due to an increase in county funding, incarceration fees, and a decrease in personnel cost.
- ❖ Net revenues increased from \$573,693 in 2010 to \$ 1,134,131 in 2011. This increase was due primarily to an increase in county funding, incarceration fees, and a decrease in personnel cost.

**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 Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; 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 Assets and the Statement of Revenues, Expenses, and Changes in Net Assets 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, 2011**

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report the Authority's net assets and changes to them. You can think of the Authority's net assets—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 assets 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 assets increased from a year ago. The following amounts are from the statement of net asset, 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 Assets			
<u>June 30, 2011 and 2010</u>			
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>
Current Assets	\$ 1,322,950	\$ 794,552	\$ 528,398
Noncurrent assets	<u>7,894,046</u>	<u>8,113,177</u>	<u>(219,131)</u>
Total assets	<u>9,216,996</u>	<u>8,907,729</u>	<u>309,267</u>
Current liabilities	1,190,326	1,160,190	30,136
Noncurrent liabilities	<u>2,415,000</u>	<u>3,270,000</u>	<u>(855,000)</u>
Total liabilities	<u>3,605,326</u>	<u>4,430,190</u>	<u>(824,864)</u>
Net assets:			
Invested in capital assets,			
Net of related debt	2,967,059	2,373,001	594,058
Restricted Net Assets	1,646,169	1,602,429	43,740
Unrestricted Net Assets	<u>998,442</u>	<u>502,109</u>	<u>496,333</u>
Total net assets	<u>\$ 5,611,670</u>	<u>\$ 4,477,539</u>	<u>\$ 1,134,131</u>

Net assets increased by \$ 1,134,131.

**Pottawatomie County Public Safety Center Trust**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

The Authority's net income decreased from a year ago. The following amounts are from the statement of Revenue and Expenses and Changes in New Assets from page 9.

**Pottawatomie County Public Safety Center Trust**  
**Operating Results**  
Year Ended June 30, 2011 and 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>
Operating revenues	\$ 3,583,241	\$ 3,248,481	\$ 334,760
Operating expenses	<u>3,275,706</u>	<u>3,458,546</u>	<u>182,840</u>
Operating income (loss)	<u>307,535</u>	<u>(210,065)</u>	<u>517,600</u>
Non operating revenues (expenses)	<u>826,596</u>	<u>783,758</u>	<u>42,838</u>
Income (loss)	<u>1,134,131</u>	<u>573,693</u>	<u>560,438</u>
Net assets, beginning	4,477,539	3,903,846	537,693
Net assets, ending	<u>\$ 5,611,670</u>	<u>\$ 4,477,539</u>	<u>\$ 1,134,131</u>

The Authority's net income increased by \$ 560,438. The Authority's net assets increased from \$ 4,477,539 in 2010 to \$ 5,611,670 in 2011.

**Pottawatomie County Public Safety Center Trust**  
**Analysis of Net Assets**  
Year Ended June 30, 2011 and 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 2,967,059	\$ 2,373,001	\$ 594,058
Restricted	1,646,169	1,602,429	43,740
Unrestricted	<u>998,442</u>	<u>502,109</u>	<u>496,333</u>
Total net assets	<u>\$ 5,611,670</u>	<u>\$ 4,477,539</u>	<u>\$ 1,134,131</u>

**Pottawatomie County Public Safety Center Trust**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

The Authority's overall cash and cash equivalents increased by \$ 439,960 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, 2011 and 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>
Cash provided (used) by:			
Operating activities	\$ 438,732	\$ ( 71,029)	\$ 509,761
Capital and related financing activities	1,228	( 2,158)	3,386
Investing activities	<u>0</u>	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	439,960	( 73,187)	513,147
Cash and cash equivalents, beginning	<u>294,262</u>	<u>367,449</u>	<u>( 73,187)</u>
Cash and cash equivalents, ending	<u>\$ 734,222</u>	<u>\$ 294,262</u>	<u>\$ 439,960</u>

**Capital Assets and Debt Administration**  
**Capital Assets**

At June 30, 2011, the Authority's investment in capital assets decreased by \$ 220,941. 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, 2011 and 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>
Capital assets:	\$ 7,967,476	\$ 7,967,476	\$ -
Less: accumulated depreciation	<u>1,730,416</u>	<u>1,509,475</u>	<u>220,941</u>
Capital assets, net	<u>\$ 6,237,060</u>	<u>\$ 6,458,001</u>	<u>\$ (220,941)</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, 2011 total outstanding bonds were \$ 3,270,000.

**Pottawatomie County Public Safety Center Trust  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

**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

November 17, 2011  
Board of Trustees  
Pottawatomie County Public Safety Center Trust  
Shawnee, Oklahoma

I have audited the accompanying financial statements of the Pottawatomie County Public Safety Center Trust (a component unit of Pottawatomie County) as of and for the year ended June 30, 2011, as listed in the table of contents. These basic financial statements are the responsibility of Pottawatomie County Public Safety Center Trust's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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, 2011 and the changes in net assets and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 17, 2011 on my consideration of Pottawatomie County Public Safety Center Trust'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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 1 to 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.

*Robert D. Turner*

Robert D. Turner, CPA

POTTAWATOMIE COUNTY PUBLIC SAFETY CENTER TRUST

Statement of Net Assets

June 30, 2011

	ADULT DETENTION FUND	JUVENILE DETENTION FUND	TOTAL
	-----	-----	-----
<b>ASSETS</b>			
Current Assets:			
Cash, Operating	\$214,934	\$12,960	\$227,894
Cash, Payroll	2,741		2,741
Cash, Inmate	34,125		34,125
Cash, Bail Bonds	26,500		26,500
Cash, Sales Tax	152,104		152,104
Cash, Reserve	290,858		290,858
	-----	-----	-----
Total Cash	721,262	12,960	734,222
Sales Tax Receivable	293,223		293,223
Accounts Receivable	241,944	53,561	295,505
	-----	-----	-----
Total Current Assets	1,256,429	66,521	1,322,950
Non Current Assets:			
Fixed Assets (net of Depreciation)	6,237,060		6,237,060
Deferred Bond Costs(net of amortization)	46,113		46,113
Investments and Cash, Tax Bond	1,610,873		1,610,873
	-----	-----	-----
Total Noncurrent Assets	7,894,046	0	7,894,046
	-----	-----	-----
<b>TOTAL ASSETS</b>	<b>9,150,475</b>	<b>66,521</b>	<b>9,216,996</b>
	-----	-----	-----
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts Payable	106,213	7,051	113,264
Bail Bonds	26,500		26,500
Payable to Inmates	8,796		8,796
Bond Interest Payable	38,633		38,633
Accrued Payroll Payable	64,369	18,999	83,368
Accrued Absences Payable	44,245	12,001	56,246
Accrued Payables	8,519		8,519
Bonds Payable Current	855,000		855,000
	-----	-----	-----
Total Current Liabilities	1,152,275	38,051	1,190,326
Noncurrent Liabilities:			
Bonds Payable	2,415,000		2,415,000
	-----	-----	-----
Total Noncurrent Liabilities	2,415,000		2,415,000
	-----	-----	-----
<b>TOTAL LIABILITIES</b>	<b>3,567,275</b>	<b>38,051</b>	<b>3,605,326</b>
	-----	-----	-----
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	2,967,059		2,967,059
Restricted Net Assets (note 5)	1,646,169		1,646,169
Unrestricted Net Assets	969,972	28,470	998,442
	-----	-----	-----
<b>TOTAL NET ASSETS</b>	<b>\$5,583,200</b>	<b>\$28,470</b>	<b>\$5,611,670</b>
	=====	=====	=====

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

POTTAWATOMIE COUNTY PUBLIC SAFETY CENTER TRUST  
Statement of Revenues and Expenses and Changes in Net Assets  
For the Year Ended June 30, 2011

	ADULT DETENTION FUND	JUVENILE DETENTION FUND	TOTAL
<b>OPERATING REVENUES:</b>			
County Funds	\$797,500		\$797,500
Sales Tax (20%)	876,877		876,877
OJA Contract		\$444,420	444,420
Incarceration Fees	1,126,259		1,126,259
Housing Fees		131,285	131,285
Other Income	174,504	32,396	206,900
<b>TOTAL OPERATING REVENUES</b>	<b>2,975,140</b>	<b>608,101</b>	<b>3,583,241</b>
<b>OPERATING EXPENDITURES:</b>			
Salaries	1,237,929	376,386	1,614,315
Payroll Taxes	110,497	30,990	141,487
Health Insurance	72,524	24,032	96,556
Retirement	160,715	37,753	198,468
Workmen's Comp. Insurance	72,121	31,593	103,714
<b>Total Personnel</b>	<b>1,653,786</b>	<b>500,754</b>	<b>2,154,540</b>
<b>Other Expenses</b>			
Depreciation	220,941		220,941
Insurance	66,174	16,920	83,094
Professional Fees	28,022	7,054	35,076
Telephone and Video	28,022		28,022
Travel	664	252	916
Vehicle	19,978	566	20,544
Supplies, Food	272,205	24,304	296,509
Supplies, Cleaning	38,329	3,459	41,788
Supplies, Inmate Other	27,674		27,674
Supplies, Office	12,664	1,174	13,838
Supplies, Maintenance	15,699	141	15,840
Supplies, Kitchen	10,956	699	11,655
Supplies, Other	22,049	1,710	23,759
Supplies, Uniforms	2,244		2,244
Medical	50,367		50,367
Personnel Training & Tesitng	2,523	800	3,323
Rental, Equipment	5,373		5,373
Repairs and Maintenance	60,041	1,348	61,389
Other Operating	15,665	451	16,116
Utilities	148,353	14,345	162,698
<b>TOTAL OTHER EXPENDITURES</b>	<b>1,047,943</b>	<b>73,223</b>	<b>1,121,166</b>
<b>TOTAL OPERATING EXPENDITURES</b>	<b>2,701,729</b>	<b>573,977</b>	<b>3,275,706</b>
Excess Operating Revenues over (under) Operating Expenditures	273,411	34,124	307,535
<b>NON OPERATING REVENUES( EXPENDITURES)</b>			
Sales Tax Receipts	947,145		947,145
Tax Bond Interest	26,686		26,686
Interest Income			0
Bond Interest and Amortization Expense	(147,235)		(147,235)
Other Interest Expense			0
Intergovernmental Transfers (net)	3,957	(3,957)	
<b>NET NON OPERATING REVENUES (EXPENDITURES)</b>	<b>830,553</b>	<b>(3,957)</b>	<b>826,596</b>
Excess of revenues and other sources over (under) expendiutres and other uses	1,103,964	30,167	1,134,131
Beginning Net Assets	4,479,236	(1,697)	4,477,539
<b>ENDING NET ASSETS</b>	<b>\$5,583,200</b>	<b>\$28,470</b>	<b>\$5,611,670</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, 2011

	ADULT DETENTION FUND	JUVENILE DETENTION FUND	TOTAL
<b>CASH FLOWS FROM OPERATION ACTIVITIES:</b>			
Receipts from County	\$797,500		\$797,500
Receipts Sales Tax (20%)	876,877		876,877
Receipts from OJA Contract		\$444,420	444,420
Receipts from Incarceration Fees	1,044,022		1,044,022
Housing Fees		125,084	125,084
Payments to Employees	(1,672,964)	(512,322)	(2,185,286)
Payments to Suppliers	(810,013)	(76,180)	(886,193)
Other Receipts	189,912	32,396	222,308
<b>Net Cash Provided by (Used) Operating Activities</b>	<b>425,334</b>	<b>13,398</b>	<b>438,732</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Net Change in Capital Assets			0
Bonds Matured	(815,000)		(815,000)
Sale of Bond Investments	0		0
Sales Tax Receipts	947,145		947,145
Investment Interest, Bond	1,820		1,820
Bond Interest Expense and Amortization	(132,737)		(132,737)
<b>Net Cash Provided by (Used) Capital and Related Financing Activities</b>	<b>1,228</b>		<b>1,228</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Decrease Notes Payable			
Other County Income			
Interest Expense			
Internal Payments to Other Funds	3,957	(3,957)	
<b>Net Cash Provided (Used) From Investing Activities</b>	<b>3,957</b>	<b>(3,957)</b>	
<b>Net Increase (Decrease) in Cash</b>	<b>430,519</b>	<b>9,441</b>	<b>439,960</b>
Balance - beginning of year	290,743	3,519	294,262
<b>Balance - end of year</b>	<b>\$721,262</b>	<b>\$12,960</b>	<b>\$734,222</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income(Loss)	\$273,411	\$34,124	\$307,535
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation Expense	220,941		220,941
<b>Change in Assets and Liabilities:</b>			
Accounts Receivable	(82,237)	(6,201)	(88,438)
Sales Tax Receivable			0
Bail Bonds Payable	15,408		15,408
Accounts Payable	24,181	(2,957)	21,224
Accrued Payables	(10,656)		(10,656)
Payable to Inmates	3,464		3,464
Accrued Payroll Payable	(2,283)	(3,360)	(5,643)
Accrued Absences Payable	(16,895)	(8,208)	(25,103)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$425,334</b>	<b>\$13,398</b>	<b>\$438,732</b>

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, 2011**

**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 Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, 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 Assets 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 Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; 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 Assets classify net assets 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, 2011**

Invested in Capital Assets, Net of Related Debt - This component of net assets 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 assets component as the unspent proceeds.

Restricted Net Assets - This component of net assets consists of constraints placed on net asset 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 Assets - This component of net assets consists of those net assets 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 assets, 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, 2011**

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, 2011**

	<u>Beginning Balance June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Beginning Balance June 30, 2011</u>
<b>Assets Being Depreciated:</b>				
Buildings	\$ 7,553,033	\$		\$ 7,553,033
Vehicles	125,554			125,554
Equipment	277,584			277,584
Software	<u>11,305</u>			<u>11,305</u>
<b>Total Assets Being Depreciated</b>	<u>7,967,476</u>			<u>7,967,476</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	1,174,024	189,212		1,363,236
Vehicles	91,718	18,408		110,126
Equipment	232,428	13,321		245,749
Software	<u>11,305</u>			<u>11,305</u>
<b>Total Accumulated Depreciation</b>	<u>1,509,475</u>	<u>220,941</u>		<u>1,730,416</u>
<b>Net Capital Assets</b>	<u>\$ 6,458,001</u>	<u>(\$ 220,941)</u>	<u>\$</u>	<u>\$ 6,237,060</u>

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2011**

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

Pension Plan - Plan Description: The Authority contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, death benefits to plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy: The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation, which is performed to determine the adequacy of contribution rates. Authority employees are required to contribute 3.5% of earned compensation. The Authority contributes 16.5% of earned compensation. The amount of employer contribution for the year ended June 30, 2011 was \$ 198,468.

Step-Up 2.5%: Members have the option to elect to increase the benefit computation factor for all future service from 2% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies to a full year of service.

Other Post Employment Benefits (OPEB): In addition to the pension benefits described in the pension plan note, OPERS provides post retirement health care benefits of up to \$ 105 monthly for each retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the Authority is not available nor can it be reasonably estimated.

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.



**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2011**

**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, 2011 and reported at fair value of \$ 727,757.

Custodial Credit Risk - Deposits in financial institutions, reported as components of cash and cash equivalents had a bank balance of \$ 727,757 at June 30, 2011 \$ 101,305 were not fully insured by depository insurance or secured with collateral held by the Authority's agent in its name.

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

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

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

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

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2011**

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, 2011:

	<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>779,373</u>	<u>779,373</u>
Total				<u>\$ 1,610,873</u>	<u>\$ 1,610,873</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 Of the Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$ 855,000	3.35
2012	890,000	3.55
2013	<u>1,525,000</u>	3.65
TOTAL	<u>\$ 3,270,000</u>	

**Pottawatomie County Public Safety Center Trust**  
**Notes to Financial Statements**  
**June 30, 2011**

**5. Restricted Net Assets**

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 Assets have been restricted for the amount owed to the inmates on June 30, 2011. This amount was \$ 8,796.

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 \$ 26,500.

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 \$ 1,610,873.

The total restriction of net assets at June 30, 2011 is \$ 1,646,169 as follows:

Cash, owed to inmate	\$ 8,796
Cash, bail bond	26,500
Cash and Investments, tax bond	<u>1,610,873</u>
Total Net Assets Restricted	<u>\$ 1,646,169</u>

**6. 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.

# ROBERT D. TURNER C.P.A.

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

November 17, 2011

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, 2011, and have issued my report thereon dated November 17, 2011. 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 a reportable condition 2011-1 identified in Schedule of Findings and Questioned Costs on page 20.

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.

**Pottawatomie County Public Safety Center Trust**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**Financial Statement Findings**

Reportable Conditions:

2011 - 1 Deposits and Deposit Risk

Condition: Procedures are not in place to verify proper collateral for deposits with banks in excess of the FDIC insurance limits of \$ 250,000.

Criteria: Procedures should be in place that provide reasonable assurance that banks are securing deposits with proper collateral for amounts deposited in excess of limits (\$250,000).

Effect: Because of this above mentioned weakness, the Authority had uninsured funds during the year and at the year end. The bank did not have proper collateral for these uninsured funds. The lack of collateral was not identified by the Authority in a timely fashion.

Recommendation: Procedure be established to insure that any deposits by the Authority in excess of the FDIC insurance limit be properly collateralized.

Corrective Action: Management had obtained proper collateral for uninsured funds prior to the date of this report.