

POTTAWATOMIE COUNTY
PUBLIC SAFETY CENTER TRUST

Financial Statements
For the Year Ended June 30, 2012

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**Pottawatomie County Public Safety Center Trust
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

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, 2012. Please read it in conjunction with the Authority's financial statements, which begin on page 6.

Financial Highlights

- ❖ During the year ended June 30, 2012 the Authority's net assets increased to \$7,051,616 from \$5,611,670 in 2011. This increase is primarily due to an increase in incarceration fees.
- ❖ Net revenues increased from \$1,134,131 in 2011 to \$ 1,439,946 in 2012. 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 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, 2012**

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.

Pottawatomie County Public Safety Center Trust			
Net Assets			
<u>June 30, 2012 and 2011</u>			
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Increase (Decrease)</u>
Current Assets	\$ 2,020,031	\$ 1,322,950	\$ 697,081
Noncurrent assets	<u>7,729,118</u>	<u>7,894,046</u>	<u>(164,928)</u>
Total assets	<u>9,749,149</u>	<u>9,216,996</u>	<u>523,153</u>
Current liabilities	1,172,533	1,190,326	(17,793)
Noncurrent liabilities	<u>1,525,000</u>	<u>2,415,000</u>	<u>(890,000)</u>
Total liabilities	<u>2,697,533</u>	<u>3,605,326</u>	<u>(907,793)</u>
Net assets:			
Invested in capital assets, Net of related debt	3,662,050	2,967,059	694,991
Restricted Net Assets	1,648,107	1,646,169	1,938
Unrestricted Net Assets	<u>1,741,459</u>	<u>998,442</u>	<u>743,017</u>
Total net assets	<u>\$ 7,051,616</u>	<u>\$ 5,611,670</u>	<u>\$ 1,439,946</u>

Net assets increased by \$ 1,439,946.

Pottawatomie County Public Safety Center Trust
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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, 2012 and 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Increase (Decrease)</u>
Operating revenues	\$ 4,152,321	\$ 3,583,241	\$ 569,080
Operating expenses	<u>3,606,666</u>	<u>3,275,706</u>	<u>330,960</u>
Operating income (loss)	<u>545,655</u>	<u>307,535</u>	<u>238,120</u>
Non operating revenues (expenses)	<u>894,291</u>	<u>826,596</u>	<u>67,695</u>
Net Revenues (loss)	<u>1,439,946</u>	<u>1,134,131</u>	<u>305,815</u>
Net assets, beginning	5,611,670	4,477,539	1,134,131
Net assets, ending	<u>\$ 7,051,616</u>	<u>\$ 5,611,670</u>	<u>\$ 1,439,946</u>

The Authority's net revenues increased by \$ 305,815. The Authority's net assets increased from \$ 5,611,670 in 2011 to \$ 7,051,616 in 2012.

Pottawatomie County Public Safety Center Trust
Analysis of Net Assets
Year Ended June 30, 2012 and 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Increase (Decrease)</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 3,662,050	\$ 2,967,059	\$ 694,991
Restricted	1,648,467	1,646,169	2,298
Unrestricted	<u>1,741,099</u>	<u>998,442</u>	<u>742,657</u>
Total net assets	<u>\$ 7,051,616</u>	<u>\$ 5,611,670</u>	<u>\$ 1,439,946</u>

**Pottawatomie County Public Safety Center Trust
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

The Authority's overall cash and cash equivalents increased by \$ 735,168 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, 2012 and 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Increase (Decrease)</u>
Cash provided (used) by:			
Operating activities	\$ 761,967	\$ 438,732	\$ 323,235
Capital and related financing activities	(26,799)	1,228	(28,027)
Investing activities	<u>0</u>	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	735,168	439,960	295,208
Cash and cash equivalents, beginning	<u>734,222</u>	<u>294,262</u>	<u>439,960</u>
Cash and cash equivalents, ending	<u>\$ 1,469,390</u>	<u>\$ 734,222</u>	<u>\$ 735,168</u>

**Capital Assets and Debt Administration
Capital Assets**

At June 30, 2012, the Authority's investment in capital assets decreased by \$ 160,009. 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, 2012 and 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Increase (Decrease)</u>
Capital assets:	\$ 8,028,948	\$ 7,967,476	\$ 61,472
Less: accumulated depreciation	<u>1,951,898</u>	<u>1,730,417</u>	<u>221,482</u>
Capital assets, net	<u>\$ 6,077,050</u>	<u>\$ 6,237,059</u>	<u>\$ (160,009)</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, 2012 total outstanding bonds were \$ 2,415,000.

**Pottawatomie County Public Safety Center Trust
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

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 30, 2012
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, 2012, 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, 2012 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 30, 2012 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, 2012

	ADULT DETENTION FUND	JUVENILE DETENTION FUND	TOTAL
ASSETS			
Current Assets:			
Cash, Operating	\$ 398,060	\$ 71,397	\$ 469,457
Cash, Payroll	4,796		4,796
Cash, Inmate	34,936		34,936
Cash, Bail Bonds	4,623		4,623
Cash, Sales Tax	163,799		163,799
Cash, Emergency Fund	500,092		500,092
Cash, Reserve	291,677		291,677
Total Cash	1,397,983	71,397	1,469,380
Sales Tax Receivable	307,309		307,309
Accounts Receivable	185,225	58,117	243,342
Total Current Assets	1,890,517	129,514	2,020,031
Non Current Assets:			
Fixed Assets (net of depreciation)	6,077,050		6,077,050
Deferred Bond Costs(net of Amortization)	23,056		23,056
Investment and Cash, Tax Bond	1,629,012		1,629,012
Total Noncurrent Assets	7,729,118	-	7,729,118
TOTAL ASSETS	\$ 9,619,635	\$ 129,514	\$ 9,749,149
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts Payable	\$ 72,105	\$ 5,403	\$ 77,508
Bail Bonds	4,608		4,608
Payable to Inmates	14,847		14,847
Bond Interest Payable	29,087		29,087
Accrued Payroll Payable	68,564	14,663	83,227
Accrued Absences Payable	36,871	7,580	44,451
Accrued Payables	28,805		28,805
Bonds Payable Current	890,000		890,000
Total Current Liabilities	1,144,887	27,646	1,172,533
Noncurrent Liabilities:			
Bonds Payable	1,525,000		1,525,000
Total Noncurrent Liabilities	1,525,000	-	1,525,000
TOTAL LIABILITIES	2,669,887	27,646	2,697,533
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,662,050		3,662,050
Restricted Net Assets (note5)	1,648,467		1,648,467
Unrestricted Net Assets	1,639,231	101,868	1,741,099
TOTAL NET ASSETS	\$ 6,949,748	\$ 101,868	\$ 7,051,616

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 Assets
For the Year Ended June 30, 2012

	ADULT DETENTION FUND	JUVENILE DETENTION FUND	TOTAL
Operating Revenues:			
County Funds	\$ 507,500		\$ 507,500
Sales Tax (20%)	949,576		949,576
OJA Contract		\$ 476,596	476,596
Incarceration Fees	1,832,213		1,832,213
Juvenile Housing Fees		149,369	149,369
Other Income	199,205	37,862	237,067
Total Operating Revenues	3,488,494	663,827	4,152,321
Operating Expenditures:			
Salaries	1,313,770	376,066	1,689,836
Payroll Taxes	113,280	32,146	145,426
Health Insurance	64,415	21,715	86,130
Retirement	156,257	33,699	189,956
Workmen's Comp. Insurance	82,660	36,964	119,624
Total Personnel	1,730,382	500,590	2,230,972
Other Expenses:			
Depreciation	221,481		221,481
Insurance	127,641	31,925	159,566
Professional Fees	40,014	6,784	46,798
Telephone and Video	30,366		30,366
Travel	420	326	746
Vehicle	23,768	2,020	25,788
Supplies, Food	376,442	21,616	398,058
Supplies, Cleaning	29,930	3,705	33,635
Supplies, Inmate Other	31,560		31,560
Supplies, Office	25,327	4,255	29,582
Supplies, Maintenance	23,242	707	23,949
Supplies, Other	18,522	2,407	20,929
Supplies Uniforms	6,537		6,537
Medical	53,666	94	53,760
Personnel Training & Testing	2,616	1,535	4,151
Rental, Equipment	4,297		4,297
Repairs and Maintenance	59,877	4,509	64,386
Other Operating	17,324	445	17,769
Utilities	186,705	15,631	202,336
Total Other Expenditures	1,279,735	95,959	1,375,694
Total Operating Expenditures	3,010,117	596,549	3,606,666
Excess Operating Revenues over(under)			
Operating Expenditures	478,377	67,278	545,655
Non Operating Revenues(Expenditures)			
Sales Tax Receipts	954,088		954,088
Tax Bond Interest	26,486		26,486
Other Income	34,138		34,138
Bond Interest and Amortization Expense	(120,421)		(120,421)
Intergovernmental Transfers (net)	(6,120)	6,120	-
Net Non Operating Revenues (Expenditures)	888,171	6,120	894,291
Excess of revenues and other sources over (under) expenditures and other uses			
	1,366,548	73,398	1,439,946
Beginning Net Assets	5,583,200	28,470	5,611,670
Ending Net Assets	\$ 6,949,748	\$ 101,868	\$ 7,051,616

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, 2012

	ADULT DETENTION FUND	JUVENILE DETENTION FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from County	\$ 507,500		\$ 507,500
Receipts Sales Tax(20%)	935,490		935,490
Receipts from OJA Contract		\$ 476,596	476,596
Receipts from Incarceration Fees	1,888,933		1,888,933
Receipts from Juvenile Housing Fees		144,813	144,813
Payments to Employees	(1,733,561)	(509,347)	(2,242,908)
Payments to Suppliers	(1,072,093)	(97,607)	(1,169,700)
Other Receipts	183,381	37,862	221,243
Net Cash Provided (Used) Operating Activities	<u>709,650</u>	<u>52,317</u>	<u>761,967</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Net Change in Capital Assets	(61,472)		(61,472)
Insurance Proceeds	34,148		34,148
Bonds Matured	(855,000)		(855,000)
Sales Tax Receipts (5%)	954,088		954,088
Investment Interest, Bond	(1,199)		(1,199)
Bond Interest Expense and Amortization	(97,364)		(97,364)
Net Cash Provided by (Used) Capital and Related Financing Activities	<u>(26,799)</u>		<u>(26,799)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Internal Payments to Other Funds	(6,120)	6,120	
Net Cash Provided(Used) from Investing Activities	<u>(6,120)</u>	<u>6,120</u>	
Net Increase (Decrease) in Cash	676,731	58,437	735,168
Cash Balance - Beginning of the Year	721,262	12,960	734,222
Cash Balance - End of the Year	<u>1,397,993</u>	<u>71,397</u>	<u>1,469,390</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided(Used) Operating Activities:			
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Operating Income(Loss)	478,377	67,278	545,655
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	221,481		221,481
Change in Assets and Liabilities:			
Accounts Receivable	56,720	(4,556)	52,164
Sales Tax Receivable	(14,086)		(14,086)
Bail Bonds Payable	(21,875)		(21,875)
Accounts Payable	(34,108)	(1,648)	(35,756)
Payable to Inmates	6,051		6,051
Accrued Payroll Payable	4,195	(4,336)	(141)
Accrued Absences Payable	(7,374)	(4,421)	(11,795)
Accrued Payables	20,269		20,269
Net Cash Provided(Used) by Operating Activities	<u>\$ 709,650</u>	<u>\$ 52,317</u>	<u>\$ 761,967</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, 2012

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, 2012

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, 2012

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, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance June 30, 2012</u>
Assets Being Depreciated:				
Buildings	\$ 7,553,033	\$ 4,660	\$	\$ 7,557,693
Vehicles	125,554	14,000		139,554
Equipment	277,584	42,812		320,396
Software	<u>11,305</u>	<u> </u>	<u> </u>	<u>11,305</u>
Total Assets Being Depreciated	<u>7,967,476</u>	<u>61,472</u>	<u> </u>	<u>8,028,948</u>
Less Accumulated Depreciation:				
Buildings	1,363,236	189,290		1,552,526
Vehicles	110,126	13,157		123,283
Equipment	245,750	19,034		264,784
Software	<u>11,305</u>	<u> </u>	<u> </u>	<u>11,305</u>
Total Accumulated Depreciation	<u>1,730,417</u>	<u>221,481</u>	<u> </u>	<u>1,951,898</u>
Net Capital Assets	<u>\$ 6,237,059</u>	<u>(\$ 160,009)</u>	<u> </u>	<u>\$ 6,077,050</u>

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2012

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 5% of earned compensation. The Authority contributes 15% of earned compensation. The amount of employer contribution for the year ended June 30, 2012 was \$ 189,956.

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, 2012

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, 2012 and reported at fair value of \$ 1,515,882.

Custodial Credit Risk - Deposits in financial institutions, reported as components of cash and cash equivalents at June 30, 2012 were fully insured by depository insurance or secured with collateral held by the Authority's agent in its name.

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

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

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

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

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2012

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, 2012:

	<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>797,512</u>	<u>797,512</u>
Total				<u>\$ 1,629,012</u>	<u>\$ 1,629,012</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>
2012	\$ 890,000	3.55
2013	<u>1,525,000</u>	3.65
TOTAL	<u>\$ 2,415,000</u>	

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2012

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, 2012. This amount was \$ 14,847.

Bail Bond - These funds are received for inmates to post bond. The funds are restricted to this use and are not funds available to the Authority. This amount was \$ 4,608.

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 \$ 1,629,012.

The total restriction of net assets at June 30, 2012 is \$ 1,648,467 as follows:

Cash, owed to inmate	\$ 14,847
Cash, bail bond	4,608
Cash and Investments, tax bond	<u>1,629,012</u>
Total Net Assets Restricted	<u>\$ 1,648,467</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.

Pottawatomie County Public Safety Center Trust
Notes to Financial Statements
June 30, 2012

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 workmens' compensation.

Property & Liability Protection Plan – The Authority is a member of the Association of County Commissioners of Oklahoma Self-Insurance Group (AACO-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.

Workmens' 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. 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.

9. Subsequent Events

The Authority did not have any subsequent events through November 30, 2012 which is the date of the financial statements for the year ending June 30, 2012.

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 30, 2012

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, 2012, and have issued my report thereon dated November 30, 2012. 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.

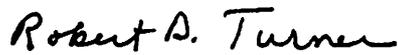
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination 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, C.P.A.