

**POTTAWATOMIE COUNTY
FACILITIES AUTHORITY
(A PUBLIC TRUST)**

TECUMSEH PUBLIC SCHOOLS

Financial Statements

December 31, 2016

Audited by

**STEPHEN H. SANDERS
CERTIFIED PUBLIC ACCOUNTANT**

Shawnee, Oklahoma

**POTTAWATOMIE COUNTRY FACILITIES AUTHORITY
(A PUBLIC TRUST)
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DECEMBER 31, 2016**

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STEPHEN H. SANDERS
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

Pottawatomie County Facilities Authority
Shawnee, Oklahoma

I have audited the accompanying financial statements of Pottawatomie County Facilities Authority (a public trust), a component unit of Pottawatomie County, Oklahoma, as of and for the year ended December 31, 2016, which collectively comprise the Pottawatomie County Facilities Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's Trustees. 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements made by management, as well as evaluation of the overall financial statements presentation. I believe my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements referred to above present only the Pottawatomie County Facilities Authority, (a public trust) and do not purport to, and do not, present fairly the financial position of Pottawatomie County, Oklahoma, as of December 31, 2016, and the changes in its financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of Pottawatomie County Facilities Authority as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principals generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2016, Pottawatomie County Facilities Authority was required to adopt and implement Governmental Accounting

Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.*

In accordance with Government Auditing Standards, I have also issued a report dated October 15, 2017, on my consideration of the Pottawatomie County Facilities Authority’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations 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 the 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.

The Pottawatomie County Facilities Authority has not presented the Management’s Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.



STEPHEN H. SANDERS
Certified Public Accountant

October 15, 2017

Pottawatomie County Facilities Authority (Public Trust)
Project Funds Balance Sheet
December 31, 2016

	2006 Education Facilities Lease Revenue Bonds Tecumseh Public Schools
<u>Assets</u>	
Cash and Cash Equivalents	\$ -
Notes Receivable	-
Bond Issuance costs	-
Less accumulated amortization	-
	<hr/>
Total Assets	\$ -
	<hr/> <hr/>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Lease Revenue Bonds Payable	\$ -
Accrued Interest Payable	-
	<hr/>
Total Liabilities	-
Fund Balance	-
	<hr/>
Total Liabilities and Fund Balance	\$ -
	<hr/> <hr/>

*The accompanying notes are an integral part of this statement.

Pottawatomie County Facilities Authority (Public Trust)
Project Funds Statement of Revenues, Expenses and
Change in Fund Balance
For the Year Ended December 31, 2016

	2006 Education Facilities Lease Revenue Bonds Tecumseh Public Schools
<u>Revenues</u>	
Lease Rental Income	\$ 55,500
Interest Income	30,748
Miscellaneous	2
	<hr/>
Total Revenues	86,250
	<hr/>
<u>Expenses</u>	
Bonds Paid	925,000
Interest Expense	29,292
Trustee and Paying Agent Fees	3,174
Bond Issuance Costs	8,438
	<hr/>
Total Expenses	965,904
	<hr/>
Excess (Default) of Revenues Over (Under) Expenses	(879,654)
Transfer to Tecumseh Public Schools to close the account	(16,096)
Fund Balance, Beginning	895,750
	<hr/>
Fund Balance, Ending	\$ -
	<hr/>

*The accompanying notes are an integral part of this statement.

Pottawatomie County Facilities Authority (Public Trust)
Project Funds Statement of Cash Flows
For the Year Ended December 31, 2016

	2006 Education Facilities Lease Revenue Bonds Tecumseh Public Schools
<u>Cash Flow From Operating Activities:</u>	
Cash received from Tecumseh Public Schools rent	\$ 55,500
Net cash provided (used) by operating activities	<u>55,500</u>
<u>Cash Flow From Capital and Related Financing Activities:</u>	
Bonds paid	(925,000)
Interest paid on bonds	(43,938)
Trustee fees	(3,174)
Net cash provided (used) by by financing activities	<u>(972,112)</u>
<u>Cash Flow From Investing Activities:</u>	
Interest on Investments	30,750
	<u>-</u>
Net cash provided (used) by by financing activities	<u>30,750</u>
Net increase (decrease) in cash	(885,862)
Transfer to Tecumseh Public Schools to close the account	(16,096)
Cash at the beginning of the year	<u>901,958</u>
Cash at the ending of year	<u>\$ -</u>
<u>Reconciliation of operating income (loss) to Net cash provided (used) by operating activities:</u>	
Operating income (loss)	
Adjustment to reconcile operating Income (loss) to net cash:	\$ 55,500
Net cash provided (used) by operating activities	<u>\$ 55,500</u>

*The accompanying notes are an integral part of this statement.

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Summary of Significant Accounting Policies

Component Unit – The Pottawatomie County Facilities Authority is a component unit of Pottawatomie County, Oklahoma. A component unit is one in which the primary government, Pottawatomie County, exercises significant influence. Significant influence or accountability is based primarily on an operational or a financial relationship with the County. A description of the trust follows.

The accounting policies of Pottawatomie County Facilities Authority (the Authority) conform to generally accepted accounting principles as applicable to government entities.

Basis of Presentation – The accounts of the Authority are organized on the basis of various projects and the general fund, each of which is considered to be a separate entity. The operations of each is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenses.

Proprietary Funds – The two types of proprietary funds are enterprise funds and internal service funds. The Authority operates an enterprise fund.

As an enterprise fund, the Authority accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Authority is that the cost of providing services to administer the Authority's various projects be financed or recovered primarily through administrative fees. These administrative fees and any residuals from closed projects are recorded in the accounts labeled as the general fund.

A description of each of the Authority's projects and accounts created by the Projects' indentures are described in the subsequent notes to these financial statements.

Measurement Focus and Basis of Accounting – Proprietary fund types utilize capital maintenance or "economic resources" measurement focus. The accounting objective of this measurement focus is the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are included on their balance sheets.

Proprietary fund types utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used.

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Summary of Significant Accounting Policies – cont'd

Budget – The Authority does not adopt an annual budget.

Encumbrances – Encumbrance accounting is not used by the General Fund or the Projects. With encumbrance accounting, encumbrances are recorded when purchase orders are issued but not considered expenditures until the liabilities for payment are incurred.

Cash Equivalents – Cash Equivalents include highly liquid investments with original maturities of three months or less.

Depreciation – The cost of buildings, vehicles and equipment and the cost of leased assets are being depreciated over the life of the respective assets or leases which approximates their estimated economic life. Depreciation is computed on the straight-line method using a term of 40 to 50 years for financial reporting purposes. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized.

Public Trust

The Pottawatomie County Facilities Authority (the Authority) is a trust created by a Trust Indenture under the authority of Title 60, Oklahoma Statutes 2001, section 176 to 180.4, as amended, and the Oklahoma Trust Act. The beneficiary of the Authority is Pottawatomie County (the Beneficiary).

The Trustees of the Authority shall be three (3) in number and shall be citizens and residents of the Beneficiary.

Purpose of the Authority

The Authority is not organized for profit and no part of its net earnings may inure to the benefit of any private person. The purposes of the Authority, as are more fully described in the Trust Indenture, are:

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Public Trust – cont'd

To assist the Beneficiary, the State of Oklahoma, governmental agencies and private entities, agencies and citizens in its charitable scientific, literary or educational purposes and in making the most efficient use of their economic resources and powers in providing, constructing, expanding, improving, operating and maintaining the buildings and facilities for use or benefit of whatever nature including, but without limitation to, courthouse, jail, detention, social and rehabilitative service facilities; fairgrounds; unemployment offices and facilities; welfare facilities; health facilities, including hospitals, extended care facilities, clinics, community mental health facilities, geriatrics facilities and rest homes; or other governmental buildings and facilities included within and without the territorial limits of the Beneficiary in furtherance of the promotion of the safety, health and welfare of the residents of the Beneficiary.

To plan, finance, acquire, construct, reconstruct, extend, lease, purchase, install, equip, maintain, repair, enlarge, remodel, and operate buildings, utilities and other facilities for the use by the United States of America, of the State of Oklahoma, or for use by authorities or agencies of the United States of America or the State of Oklahoma, or of any municipality thereof, or for use by municipal or other political subdivisions of the State of Oklahoma, including the Beneficiary hereof or for the use of corporations, individuals, partnerships, associations or propriety companies; to plan, establish, develop, construct, enlarge, improve, extend, maintain, equip, operate, lease, furnish, provide, supply, regulate, hold, store and administer such buildings or other facilities either within or without the territorial boundaries of the Beneficiary.

To hold, maintain and administer any leasehold rights in and to physical properties demised to the Beneficiary and to comply with the terms and conditions of any such lease.

To acquire by lease, purchase, production, reduction to possession or otherwise, and to plan, establish, develop, construct, enlarge, improve, extend, maintain, equip, operate, furnish, provide, supply, regulate, hold, store and administer any and all physical properties (real, personal or mixed), rights, privileges, immunities, benefits and any other thing of value, designation or needful for the utilization in furnishing, providing or supplying the aforementioned services, buildings and facilities; to finance and refinance and to enter into contracts of

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Public Trust – cont'd

purchase, lease-purchase or other interest in or operation and maintenance of said properties, and revenues thereof, and to comply with the terms and conditions of any such contracts, leases or other contracts made in connection with the acquisition, equipping, maintenance and disposal of any said property; and to relinquish, dispose of, rent or otherwise make provisions for properties owned or controlled by the Authority but no longer needed for Authority purposes.

To perform on behalf of the Beneficiary the functions and powers as authorized by industrial development statutes, including securing developers and maintaining industrial and manufacturing activities and to do all other things to relieve unemployment within and without the territorial boundaries of the Beneficiary.

To finance, refinance, borrow, issue bonds or other evidences of indebtedness to construct, extend, improve, equip or acquire any buildings, facilities or utilities which may directly or indirectly be for the benefit of the Beneficiary, or for any other purpose, or for the other purposes listed herein or which may result in a savings to the Authority or the Beneficiary or any other qualified entity.

To participate in programs of governmental agencies relating to such buildings or facilities or utility service of whatever nature, such participation to include, but not to be limited to, the sale of bonds, notes or other evidence of indebtedness of the Authority or other borrowing or obtaining funds from any of such governmental agencies.

To do all things which are for the benefit of the Beneficiary and have a purpose including but not limited to the relief of unemployment, pollution control, environmental improvement, utilities, and, to that end, said Trustees are hereby granted the powers, whether specifically stated herein or not, to fulfill such purposes in the most efficient manner for the benefit of the Beneficiary.

To provide funds for and assist the Beneficiary, governmental agencies and private enterprises, agencies and citizens in making the most efficient use of their resources and powers in providing, constructing, acquiring, rehabilitating or improving adequate housing for low to moderate income residential use, as determined by the Trustees, of every type and character, whether single-family dwellings or multiple-family dwellings, in furtherance of the promotion of the safety, health and welfare of the residents of the Beneficiary.

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Public Trust – cont'd

Termination of the Trust

Upon termination of the Authority, the residue of the Authority's property will be distributed to the Beneficiary. The Authority cannot be terminated by voluntary action if there is outstanding indebtedness or fixed term obligations of the Trustees, unless all owners of such indebtedness or obligations shall have consented in writing to the termination.

The Beneficiary

As previously mentioned, Pottawatomie County is the Beneficiary of this trust, and all properties held by the Authority will become the property of the Beneficiary upon termination of the Authority.

General Fund

Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts at local banks. There were no funds at December 31, 2016, other than those in the trustee bank and at BancFirst.

Property and Equipment

There was no property or equipment held by the General Fund at December 31, 2016.

Educational Facilities Lease Revenue Bonds (2006 Series Tecumseh Public Schools)

September 1, 2006, the Series 2006 Bonds are being issued by the Depository Trust Company, New York, New York ("Issuer"), under the terms and provisions of the Indenture, for the purpose of providing funds to the Pottawatomie County Facilities Authority ("Authority") for the financing of certain facilities to be leased to the Tecumseh Public Schools (District). Payment of the principal, premium, if any, and interest on the Series 2006 Bonds will be payable from payments to be received by the Issuer from the Authority pursuant to a Loan Agreement which are payable from rental payments from the District under the terms of a certain Lease Agreement. The bonds are

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Educational Facilities Lease Revenue Bonds (2006 Series Tecumseh Public Schools)
– cont'd

general obligations of the Issuer nor personal obligations of the members of the Issuer, Authority or the District, but are limited obligations payable solely from the revenues specifically pledged to their payment.

A description of sources and uses of the lease revenue bonds is detailed as follows:

Sources of Funds	
Par Amount of Bonds	\$ 4,045,000.00
Original Issue Premium (OIP)	56,316.55
Accrued Interest from 08-01-06 to 08-29-06	<u>14,944.03</u>
Total Sources	<u>\$ 4,116,260.58</u>
Use of Funds	
Total Underwriter's Discount (1.000%)	\$ 40,450.00
Costs of Issuance	126,625.00
Deposit to Debt Service Fund (DSF) (Capitalized & Accrued Interest)	199,887.49
Deposit to Debt Service Reserve Fund (DSRF)	404,500.00
Deposit to Project Construction Fund (PCF)	<u>3,344,798.09</u>
Total Uses	<u>\$ 4,116,260.58</u>

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Educational Facilities Lease Revenue Bonds (2006 Series Tecumseh Public Schools)
– cont'd

The principal and interest maturities are detailed as follows:

Maturity Date	Principal	Interest	Total Maturity Amounts
3/1/2007	\$ -	112,080.15	112,080.15
9/1/2007		96,068.75	96,068.75
3/1/2008		96,068.75	96,068.75
9/1/2008	290,000.00	96,068.75	386,068.75
3/1/2009		89,181.25	89,181.25
9/1/2009	315,000.00	89,181.25	404,181.25
3/1/2010		81,700.00	81,700.00
9/1/2010	350,000.00	81,700.00	431,700.00
3/1/2011		73,387.50	73,387.50
9/1/2011	380,000.00	73,387.50	453,387.50
3/1/2012		64,362.50	64,362.50
9/1/2012	410,000.00	64,362.50	474,362.50
3/1/2013		54,625.00	54,625.00
9/1/2013	430,000.00	54,625.00	484,625.00
3/1/2014		44,412.50	44,412.50
9/1/2014	465,000.00	44,412.50	509,412.50
3/1/2015		33,368.75	33,368.75
9/1/2015	480,000.00	33,368.75	513,368.75
3/1/2016		21,968.75	21,968.75
9/1/2016	925,000.00	21,968.75	946,968.75
Totals	<u>\$4,045,000.00</u>	<u>1,326,298.90</u>	<u>5,371,298.90</u>

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Educational Facilities Lease Revenue Bonds (2006 Series Tecumseh Public Schools)
– cont'd

Operating Lease

The Authority entered into a lease agreement with Tecumseh Public Schools on September 1, 2006. As stated in the lease, the District will make semi-annual rental payments and acquisition payments every year, detailed as follows:

Payment Date	Rental Payments	Acquisition Payments	Total
March 1, 2007	\$ 25,000.00		25,000.00
September 1, 2007	25,000.00		25,000.00
March 1, 2008	25,000.00		25,000.00
September 1, 2008	25,000.00	420,450.00	445,450.00
March 1, 2009	25,000.00		25,000.00
September 1, 2009	25,000.00	430,350.00	455,350.00
March 1, 2010	25,000.00		25,000.00
September 1, 2010	25,000.00	440,250.00	465,250.00
March 1, 2011	25,000.00		25,000.00
September 1, 2011	25,000.00	450,150.00	475,150.00
March 1, 2012	25,000.00		25,000.00
September 1, 2012	25,000.00	455,100.00	480,100.00
March 1, 2013	25,000.00		25,000.00
September 1, 2013	25,000.00	465,000.00	490,000.00
March 1, 2014	25,000.00		25,000.00
September 1, 2014	25,000.00	474,900.00	499,900.00
March 1, 2015	25,000.00		25,000.00
September 1, 2015	25,000.00	484,800.00	509,800.00
March 1, 2016	25,000.00		25,000.00
September 1, 2016	25,000.00	494,700.00	519,700.00
Totals	\$ 500,000.00	4,115,700.00	4,615,700.00

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Educational Facilities Lease Revenue Bonds (2006 Series Tecumseh Public Schools)
– cont'd

Cash and Cash Equivalents

Cash and Equivalents consist of AP Treasury Money Market Fund.

Property and Equipment

The construction process began in April, 2007. The costs will be accumulated and depreciation will begin when the building is placed into service. The following is a summary of construction and equipment costs stated at cost less accumulated depreciation at December 31, 2016.

	1-Jan 2016	Additions	Deletions	31-Dec 2016
Construction in Progress	\$ 3,565,559		(3,565,559)	-
Less: Accumulated Depreciation	-	-	-	-
Totals	<u>\$ 3,565,559</u>	<u>-</u>	<u>(3,565,559)</u>	<u>-</u>

Cost of Issuance

The costs associated with issuing the Tecumseh Public Schools Bonds amounted to \$126,625. These costs were amortized over the term of the bonds, which was 10 years. Amortization expense amounted to \$8,438 for the period ending December 31, 2016.

STEPHEN H. SANDERS
CERTIFIED PUBLIC ACCOUNTANT

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

To the Trustees
Pottawatomie County Facilities Authority
Shawnee, Oklahoma

I have audited the basis financial statements of the Pottawatomie County Facilities Authority (the Authority), a public trust, and a component unit of Pottawatomie County, Oklahoma, as of and for the year ended December 31, 2016, and have issued my report thereon dated October 15, 2017. During the year ended December 31, 2016, the Authority was required to adopt and implement Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. However, the Trust’s elected not to provide an MD&A as required by those standards. 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 of America.


Internal Control Over Financial Reporting

In planning and performing my audit, we considered the Trust’s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board of trustees and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.



STEPHEN H. SANDERS
Certified Public Accountant

October 15, 2017

**POTTAWATOMIE COUNTY
FACILITIES AUTHORITY
(A PUBLIC TRUST)**

BETHEL PUBLIC SCHOOLS

Financial Statements

December 31, 2016

Audited by

**STEPHEN H. SANDERS
CERTIFIED PUBLIC ACCOUNTANT**

Shawnee, Oklahoma

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DECEMBER 31, 2016**

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STEPHEN H. SANDERS
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

Pottawatomie County Facilities Authority
Shawnee, Oklahoma

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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 of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements made by management, as well as evaluation of the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements referred to above present only the Pottawatomie County Facilities Authority (a public trust), and do not purport to, and do not, present fairly the financial position of Pottawatomie County, Oklahoma, as of December 31, 2016, and the changes in its financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.


In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pottawatomie County Facilities Authority as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principals generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2016, Pottawatomie County Facilities Authority was required to adopt and implement Governmental Accounting

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The Pottawatomie County Facilities Authority has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.


STEPHEN H. SANDERS
Certified Public Accountant

October 16, 2017

Pottawatomie County Facilities Authority (Public Trust)
Project Funds Balance Sheet
December 31, 2016

	2008 Educational Facilities Lease Revenue Bonds Bethel Public Schools
<u>Assets</u>	
Cash and Cash Equivalents	\$ 2,847,966
Notes Receivable	2,330,000
Bond Issuance costs	130,685
Less accumulated amortization	<u>(95,040)</u>
Total Assets	<u><u>\$ 5,213,611</u></u>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Lease Revenue Bonds Payable	\$ 2,330,000
Accrued Interest Payable	<u>36,367</u>
Total Liabilities	2,366,367
Fund Balance	<u>2,847,244</u>
Total Liabilities and Fund Balance	<u><u>\$ 5,213,611</u></u>

*The accompanying notes are an integral part of this statement.

Pottawatomie County Facilities Authority (Public Trust)
Project Funds Statement of Revenues, Expenses and
Change in Fund Balance
For the Year Ended December 31, 2016

	2008 Educational Facilities Lease Revenue Bonds Bethel Public Schools
<u>Revenues</u>	
Lease Rental Income	\$ 483,850
Interest Income	20,289
Total Revenues	<u>504,139</u>
<u>Expenses</u>	
Bonds Paid	380,000
Interest Expense	131,140
Paying Agent Fees	6,888
Bond Issuance Cost	11,880
Video Equipment	<u>32,355</u>
Total Expenses	<u>562,263</u>
Excess (Default) of Revenues Over (Under) Expenses	(58,124)
Transfer out	(368,978)
Fund Balance, Beginning	<u>3,274,346</u>
Fund Balance, Ending	<u><u>\$ 2,847,244</u></u>

*The accompanying notes are an integral part of this statement.

Pottawatomie County Facilities Authority (Public Trust)
Project Funds Statement of Cash Flows
For the Year Ended December 31, 2016

2008
Educational
Facilities
Lease Revenue
Bonds
Bethel Public
Schools

Cash Flow From Operating Activities:

Cash received from Bethel Public Schools rent	\$ 483,850
Net cash provided (used) by operating activities	<u>483,850</u>

Cash Flow From Capital and Related Financing Activities:

Capital Outlay	(32,355)
Bonds paid	(380,000)
Interest paid on bonds	(125,630)
Trustee fees	(6,888)
Net cash provided (used) by financing activities	<u>(544,873)</u>

Cash Flow From Investing Activities:

Interest on Investments	<u>20,289</u>
Net increase (decrease) in cash	(40,734)
Transfers out	(379,998)
Cash at the beginning of the year	<u>3,268,698</u>
Cash at the ending of year	<u>\$ 2,847,966</u>

**Reconciliation of operating income (loss) to
Net cash provided (used) by operating activities:**

Operating income (loss)	
Adjustment to reconcile operating Income (loss) to net cash:	\$ (483,850)
Net cash provided (used) by operating activities	<u>\$ (483,850)</u>

* The accompanying notes are an integral part of this statement.

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Summary of Significant Accounting Policies

Component Unit – The Pottawatomie County Facilities Authority is a component unit of Pottawatomie County, Oklahoma. A component unit is one in which the primary government, Pottawatomie County, exercises significant influence. Significant influence or accountability is based primarily on an operational or a financial relationship with the County. A description of the trust follows.

The accounting policies of Pottawatomie County Facilities Authority (the Authority) conform to generally accepted accounting principles as applicable to government entities.

Basis of Presentation – The accounts of the Authority are organized on the basis of various projects and the general fund, each of which is considered to be a separate entity. The operations of each is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenses.

Proprietary Funds – The two types of proprietary funds are enterprise funds and internal service funds. The Authority operates an enterprise fund.

As an enterprise fund, the Authority accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Authority is that the cost of providing services to administer the Authority's various projects be financed or recovered primarily through administrative fees. These administrative fees and any residuals from closed projects are recorded in the accounts labeled as the general fund.

A description of each of the Authority's projects and accounts created by the Projects' indentures are described in the subsequent notes to these financial statements.

Measurement Focus and Basis of Accounting – Proprietary fund types utilize capital maintenance or "economic resources" measurement focus. The accounting objective of this measurement focus is the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are included on their balance sheets.

Proprietary fund types utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used.

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Summary of Significant Accounting Policies – cont'd

Budget – The Authority does not adopt an annual budget.

Encumbrances – Encumbrance accounting is not used by the General Fund or the Projects. With encumbrance accounting, encumbrances are recorded when purchase orders are issued but not considered expenditures until the liabilities for payment are incurred.

Cash Equivalents – Cash Equivalents include highly liquid investments with original maturities of three months or less.

Depreciation – The cost of buildings, vehicles and equipment and the cost of leased assets are being depreciated over the life of the respective assets or leases which approximates their estimated economic life. Depreciation is computed on the straight-line method using a term of 40 to 50 years for financial reporting purposes. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized.

Public Trust

The Pottawatomie County Facilities Authority (the Authority) is a trust created by a Trust Indenture under the authority of Title 60, Oklahoma Statutes 2001, section 176 to 180.4, as amended, and the Oklahoma Trust Act. The beneficiary of the Authority is Pottawatomie County (the Beneficiary).

The Trustees of the Authority shall be three (3) in number and shall be citizens and residents of the Beneficiary.

Purpose of the Authority

The Authority is not organized for profit and no part of its net earnings may inure to the benefit of any private person. The purposes of the Authority, as are more fully described in the Trust Indenture, are:

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Public Trust – cont'd

To assist the Beneficiary, the State of Oklahoma, governmental agencies and private entities, agencies and citizens in its charitable scientific, literary or educational purposes and in making the most efficient use of their economic resources and powers in providing, constructing, expanding, improving, operating and maintaining the buildings and facilities for use or benefit of whatever nature including, but without limitation to, courthouse, jail, detention, social and rehabilitative service facilities; fairgrounds; unemployment offices and facilities; welfare facilities; health facilities, including hospitals, extended care facilities, clinics, community mental health facilities, geriatrics facilities and rest homes; or other governmental buildings and facilities included within and without the territorial limits of the Beneficiary in furtherance of the promotion of the safety, health and welfare of the residents of the Beneficiary.

To plan, finance, acquire, construct, reconstruct, extend, lease, purchase, install, equip, maintain, repair, enlarge remodel, and operative buildings, utilities and other facilities for the use by the United States of America, of the State of Oklahoma, or for use by authorities or agencies of the United States of America or the State of Oklahoma, or of any municipality thereof, or for use by municipal or other political subdivisions of the State of Oklahoma, including the Beneficiary hereof or for the use of corporations, individuals, partnerships, associations or propriety companies; to plan, establish, develop, construct, enlarge, improve, extend, maintain, equip, operate, lease, furnish, provide, supply, regulate, hold, store and administer such buildings or other facilities either within or without the territorial boundaries of the Beneficiary.

To hold, maintain and administer any leasehold rights in and to physical properties demised to the Beneficiary and to comply with the terms and conditions of any such lease.

To acquire by lease, purchase, production, reduction to possession or otherwise, and to plan, establish, develop, construct, enlarge, improve, extend, maintain, equip, operate, furnish, provide, supply, regulate, hold, store and administer any and all physical properties (real, personal or mixed), rights, privileges, immunities, benefits and any other thing of value, designation or needful for the utilization in furnishing, providing or supplying the aforementioned services, buildings and facilities; to finance and refinance and to enter into contracts of purchase, lease-purchase or other interest in or operation and maintenance of said properties, and revenues thereof, and to comply with the terms and conditions of

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Public Trust – cont'd

any such contracts, leases or other contracts made in connection with the acquisition, equipping, maintenance and disposal of any said property; and to relinquish, dispose of, rent or otherwise make provisions for properties owned or controlled by the Authority but no longer needed for Authority purposes.

To perform on behalf of the Beneficiary the functions and powers as authorized by industrial development statutes, including securing developers and maintaining industrial and manufacturing activities and to do all other things to relieve unemployment within and without the territorial boundaries of the Beneficiary.

To finance, refinance, borrow, issue bonds or other evidences of indebtedness to construct, extend, improve, equip or acquire any buildings, facilities or utilities which may directly or indirectly be for the benefit of the Beneficiary, or for any other purpose, or for the other purposes listed herein or which may result in a savings to the Authority or the Beneficiary or any other qualified entity.

To participate in programs of governmental agencies relating to such buildings or facilities or utility service of whatever nature, such participation to include, but not to be limited to, the sale of bonds, notes or other evidence of indebtedness of the Authority or other borrowing or obtaining funds from any of such governmental agencies.

To do all things which are for the benefit of the Beneficiary and have a purpose including but not limited to the relief of unemployment, pollution control, environmental improvement, utilities, and to that end said Trustees are hereby granted the powers, whether specifically stated herein or not, to fulfill such purposes in the most efficient manner for the benefit of the Beneficiary.

To provide funds for and assist the Beneficiary, governmental agencies and private enterprises, agencies and citizens in making the most efficient use of their resources and powers in providing, constructing, acquiring, rehabilitating or improving adequate housing for low to moderate income residential use, as determined by the Trustees, of every type and character, whether single-family dwellings or multiple-family dwellings, in furtherance of the promotion of the safety, health and welfare of the residents of the Beneficiary.

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Public Trust – cont'd

Termination of the Trust

Upon termination of the Authority, the residue of the Authority's property will be distributed to the Beneficiary. The Authority cannot be terminated by voluntary action if there is outstanding indebtedness or fixed term obligations of the Trustees, unless all owners of such indebtedness or obligations shall have consented in writing to the termination.

The Beneficiary

As previously mentioned, Pottawatomie County is the Beneficiary of this trust, and all properties held by the Authority will become the property of the Beneficiary upon termination of the Authority.

General Fund

Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts at local banks. There were no funds at December 31, 2016, other than those in the trustee bank and at Arvest Bank.

Property and Equipment

There was no property or equipment held by the General Fund at December 31, 2016.

Educational Facilities Lease Revenue Bonds (2008 Series Bethel Public Schools)

September 1, 2008, the Series 2008 Bonds are being issued by the Depository Trust Company, New York, New York ("Issuer"), under the terms and provisions of the Indenture, for the purpose of providing funds to the Pottawatomie County Facilities Authority ("Authority") for the financing of certain facilities to be leased to the Bethel Public Schools (District). Payment of the principal, premium, if any, and interest on the Series 2008 Bonds will be payable from payments to be received by the Issuer from the Authority pursuant to a Loan Agreement which are payable from rental payments from

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**Educational Facilities Lease Revenue Bonds (2008 Series Bethel Public Schools) –
cont'd**

the District under the terms of a certain Lease Agreement. The Bonds are neither general obligations of the Issuer nor personal obligations of the members of the Issuer, Authority or the District, but are limited obligations payable solely from the revenues specifically pledged to their payment.

A description of sources and uses of the lease revenue bonds is detailed as follows:

Sources of Funds	
Par Amount of Bonds	\$ 4,710,000.00
Original Issue Discount	4,809.00
Accrued Interest from 08/01/08 to 08/29/08	<u>11,463.33</u>
Total Sources	<u><u>\$ 4,726,272.33</u></u>
Use of Funds	
Total Underwriter's Discount (1.000%)	\$ 47,100.00
Costs of Issuance	130,685.00
Deposit to Debt Service Fund (DSF) (Capitalized & Accrued Interest)	108,425.76
Deposit to Debt Service Reserve Fund (DSRF)	471,000.00
Deposit to Project Construction Fund (PCF)	<u>3,969,061.57</u>
Total Uses	<u><u>\$ 4,726,272.33</u></u>

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**Educational Facilities Lease Revenue Bonds (2008 Series Bethel Public Schools) –
cont'd**

The principal and interest maturities are detailed as follows:

Maturity Date	Principal	Interest	Total Maturity Amounts
9/1/2009	\$ 220,000.00	223,535.00	443,535.00
9/1/2010	240,000.00	197,540.00	437,540.00
9/1/2011	265,000.00	187,940.00	452,940.00
9/1/2012	285,000.00	177,340.00	462,340.00
9/1/2013	305,000.00	165,940.00	470,940.00
9/1/2014	330,000.00	153,740.00	483,740.00
9/1/2015	355,000.00	140,540.00	495,540.00
9/1/2016	380,000.00	125,630.00	505,630.00
9/1/2017	410,000.00	109,100.00	519,100.00
9/1/2018	440,000.00	90,650.00	530,650.00
9/1/2019	1,480,000.00	70,300.00	1,550,300.00
Totals	<u>\$4,710,000.00</u>	<u>1,642,255.00</u>	<u>6,352,255.00</u>

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**Educational Facilities Lease Revenue Bonds (2008 Series Bethel Public Schools) –
cont'd**

Cash and Cash Equivalents

Cash and Equivalents consist of AP Treasury Money Market Fund.

Property and Equipment

The construction process began in August, 2008. The costs will be accumulated and depreciation will begin when the building is placed into service. The following is a summary of construction and equipment costs stated at cost less accumulated depreciation at December 31, 2016.

	1-Jan 2016	Additions	Deletions	31-Dec 2016
Construction in Progress	\$ 4,710,000	-	-	4,710,000
Less: Accumulated Depreciation	-	-	-	-
Totals	<u>\$ 4,710,000</u>	<u>-</u>	<u>-</u>	<u>4,710,000</u>

Cost of Issuance

The costs associated with issuing the Bethel Public Schools Bonds amounted to \$130,685. These costs will be amortized over the term of the bonds, which is 11 years. Amortization expense amounted to \$11,880 for the year ending December 31, 2016.

STEPHEN H. SANDERS
CERTIFIED PUBLIC ACCOUNTANT

4 W. MIDLAND · SHAWNEE, OK 74804 · (405) 273-2300 · FAX (405) 273-2303

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

To the Trustees
Pottawatomie County Facilities Authority
Shawnee, Oklahoma

I have audited the basis financial statements of the Pottawatomie County Facilities Authority (the Authority), a public trust, and a component unit of Pottawatomie County, Oklahoma, as of and for the year ended December 31, 2016, and have issued my report thereon dated October 16, 2017. During the year ended December 31, 2016, the Authority was required to adopt and implement Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. However, the Trust’s elected not to provide an MD&A as required by those standards. 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 of America.


Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Trust’s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board of trustees and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.


STEPHEN H. SANDERS
Certified Public Accountant

October 16, 2017

**POTTAWATOMIE COUNTY
FACILITIES AUTHORITY
(A PUBLIC TRUST)**

SHAWNEE PUBLIC SCHOOLS

Financial Statements

December 31, 2016

Audited by

**STEPHEN H. SANDERS
CERTIFIED PUBLIC ACCOUNTANT**

Shawnee, Oklahoma

**POTTAWATOMIE COUNTRY FACILITIES AUTHORITY
(A PUBLIC TRUST)
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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Statement of Revenues, Expenses and Changes in Fund Balance For the Year Ended December 31, 2016	4
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Notes to Financial Statements	6-14
Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	15-16

STEPHEN H. SANDERS
CERTIFIED PUBLIC ACCOUNTANT

4 W. MIDLAND · SHAWNEE, OKLAHOMA 74804 · (405) 273-2300 · FAX (405) 273-2303

INDEPENDENT AUDITOR'S REPORT

Pottawatomie County Facilities Authority
Shawnee, Oklahoma

I have audited the accompanying financial statements of Pottawatomie County Facilities Authority (a public trust), a component unit of Pottawatomie County, Oklahoma, as of and for the year ended December 31, 2016, which collectively comprise the Pottawatomie County Facilities Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's Trustees. 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements made by management, as well as evaluation of the overall financial statements presentation. I believe my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements referred to above present only the Pottawatomie County Facilities Authority, (a public trust) and do not purport to, and do not, present fairly the financial position of Pottawatomie County, Oklahoma, as of December 31, 2016, and the changes in its financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.


In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of Pottawatomie County Facilities Authority as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principals generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2016, Pottawatomie County Facilities Authority was required to adopt and implement Governmental Accounting

Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.

In accordance with Government Auditing Standards, I have also issued a report dated October 12, 2017, on my consideration of the Pottawatomie County Facilities Authority’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations 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 the 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.

The Pottawatomie County Facilities Authority has not presented the Management’s Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.


STEPHEN H. SANDERS
Certified Public Accountant

October 12, 2017

Pottawatomie County Facilities Authority (Public Trust)
Project Funds Balance Sheet
December 31, 2016

	2006 Educational Facilities Lease Revenue Bonds Shawnee Public Schools
<u>Assets</u>	
Cash and Cash Equivalents	\$ -
Notes Receivable	-
Bond Issuance costs	-
Less accumulated amortization	-
	<hr/>
Total Assets	\$ -
	<hr/> <hr/>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Lease Revenue Bonds Payable	\$ -
Accrued Interest Payable	-
	<hr/>
Total Liabilities	-
Fund Balance	-
	<hr/>
Total Liabilities and Fund Balance	\$ -
	<hr/> <hr/>

*The accompanying notes are an integral part of this statement.

Pottawatomie County Facilities Authority (Public Trust)
Project Funds Statement of Revenues, Expenses and
Change in Fund Balance
For the Year Ended December 31, 2016

	2006 Educational Facilities Lease Revenue Bonds Shawnee Public Schools
<u>Revenues</u>	
Lease Rental Income	\$ 2,053,300
Interest Income	98,951
Total Revenues	<u>2,152,251</u>
<u>Expenses</u>	
Interest Expense	121,833
Trustee and Paying Agent Fees	3,030
Bond Issuance Costs	9,191
Total Expenses	<u>134,054</u>
Excess (Default) of Revenues Over (Under) Expenses	2,018,197
Bond payments	(3,655,000)
Fund Balance, Beginning	<u>1,636,803</u>
Fund Balance, Ending	<u><u>\$ -</u></u>

*The accompanying notes are an integral part of this statement.

Pottawatomie County Facilities Authority (Public Trust)
Project Funds Statement of Cash Flows
For the Year Ended December 31, 2016

2006
Educational
Facilities
Lease Revenue
Bonds
Shawnee Public
Schools

Cash Flow From Operating Activities:

Cash received from Shawnee Public Schools rent	\$ 2,053,300
Net transfer from D.A. Davidson and Company	18,617
Net cash provided (used) by operating activities	<u>2,071,917</u>

Cash Flow From Capital and Related Financing Activities:

Principal paid on bonds	(3,655,000)
Interest paid on bonds	(182,750)
Trustee fees	(3,030)
Bond Issuance costs	(9,191)
Net cash provided (used) by financing activities	<u>(3,849,917)</u>

Cash Flow From Investing Activities:

Interest on Investments	<u>89,525</u>
Net increase (decrease) in cash	(1,688,529)
Cash at the beginning of the year	<u>1,688,529</u>
Cash at the ending of year	<u>\$ -</u>

Reconciliation of operating income (loss) to
Net cash provided (used) by operating activities:

Operating income (loss)	\$ 2,071,917
Adjustment to reconcile operating Income (loss) to net cash:	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 2,071,917</u>

* The accompanying notes are an integral part of this statement.

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Summary of Significant Accounting Policies

Component Unit – The Pottawatomie County Facilities Authority is a component unit of Pottawatomie County, Oklahoma. A component unit is one in which the primary government, Pottawatomie County, exercises significant influence. Significant influence or accountability is based primarily on an operational or a financial relationship with the County. A description of the trust follows.

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Proprietary Funds – The two types of proprietary funds are enterprise funds and internal service funds. The Authority operates an enterprise fund.

As an enterprise fund, the Authority accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Authority is that the cost of providing services to administer the Authority's various projects be financed or recovered primarily through administrative fees. These administrative fees and any residuals from closed projects are recorded in the accounts labeled as the general fund.

A description of each of the Authority's projects and accounts created by the Projects' indentures are described in the subsequent notes to these financial statements.

Measurement Focus and Basis of Accounting – Proprietary fund types utilize capital maintenance or "economic resources" measurement focus. The accounting objective of this measurement focus is the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are included on their balance sheets.

Proprietary fund types utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used.

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Summary of Significant Accounting Policies – cont'd

Budget – The Authority does not adopt an annual budget.

Encumbrances – Encumbrance accounting is not used by the General Fund or the Projects. With encumbrance accounting, encumbrances are recorded when purchase orders are issued but not considered expenditures until the liabilities for payment are incurred.

Cash Equivalents – Cash Equivalents include highly liquid investments with original maturities of three months or less.

Depreciation – The cost of buildings, vehicles and equipment and the cost of leased assets are being depreciated over the life of the respective assets or leases which approximates their estimated economic life. Depreciation is computed on the straight-line method using a term of 40 to 50 years for financial reporting purposes. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized.

Public Trust

The Pottawatomie County Facilities Authority (the Authority) is a trust created by a Trust Indenture under the authority of Title 60, Oklahoma Statutes 2001, section 176 to 180.4, as amended, and the Oklahoma Trust Act. The beneficiary of the Authority is Pottawatomie County (the Beneficiary).

The Trustees of the Authority shall be three (3) in number and shall be citizens and residents of the Beneficiary.

Purpose of the Authority

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**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Public Trust – cont'd

To assist the Beneficiary, the State of Oklahoma, governmental agencies and private entities, agencies and citizens in its charitable scientific, literary or educational purposes and in making the most efficient use of their economic resources and powers in providing, constructing, expanding, improving, operating and maintaining the buildings and facilities for use or benefit of whatever nature including, but without limitation to, courthouse, jail, detention, social and rehabilitative service facilities; fairgrounds; unemployment offices and facilities; welfare facilities; health facilities, including hospitals, extended care facilities, clinics, community mental health facilities, geriatrics facilities and rest homes; or other governmental buildings and facilities included within and without the territorial limits of the Beneficiary in furtherance of the promotion of the safety, health and welfare of the residents of the Beneficiary.

To plan, finance, acquire, construct, reconstruct, extend, lease, purchase, install, equip, maintain, repair, enlarge, remodel, and operate buildings, utilities and other facilities for the use by the United States of America, of the State of Oklahoma, or for use by authorities or agencies of the United States of America or the State of Oklahoma, or of any municipality thereof, or for use by municipal or other political subdivisions of the State of Oklahoma, including the Beneficiary hereof or for the use of corporations, individuals, partnerships, associations or propriety companies; to plan, establish, develop, construct, enlarge, improve, extend, maintain, equip, operate, lease, furnish, provide, supply, regulate, hold, store and administer such buildings or other facilities either within or without the territorial boundaries of the Beneficiary.

To hold, maintain and administer any leasehold rights in and to physical properties demised to the Beneficiary and to comply with the terms and conditions of any such lease.

To acquire by lease, purchase, production, reduction to possession or otherwise, and to plan, establish, develop, construct, enlarge, improve, extend, maintain, equip, operate, furnish, provide, supply, regulate, hold, store and administer any and all physical properties (real, personal or mixed), rights, privileges, immunities, benefits and any other thing of value, designation or needful for the utilization in furnishing, providing or supplying the aforementioned services, buildings and facilities; to finance and refinance and to enter into contracts of

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Public Trust – cont'd

purchase, lease-purchase or other interest in or operation and maintenance of said properties, and revenues thereof, and to comply with the terms and conditions of any such contracts, leases or other contracts made in connection with the acquisition, equipping, maintenance and disposal of any said property; and to relinquish, dispose of, rent or otherwise make provisions for properties owned or controlled by the Authority but no longer needed for Authority purposes.

To perform on behalf of the Beneficiary the functions and powers as authorized by industrial development statutes, including securing developers and maintaining industrial and manufacturing activities and to do all other things to relieve unemployment within and without the territorial boundaries of the Beneficiary.

To finance, refinance, borrow, issue bonds or other evidences of indebtedness to construct, extend, improve, equip or acquire any buildings, facilities or utilities which may directly or indirectly be for the benefit of the Beneficiary, or for any other purpose, or for the other purposes listed herein or which may result in a savings to the Authority or the Beneficiary or any other qualified entity.

To participate in programs of governmental agencies relating to such buildings or facilities or utility service of whatever nature, such participation to include, but not to be limited to, the sale of bonds, notes or other evidence of indebtedness of the Authority or other borrowing or obtaining funds from any of such governmental agencies.

To do all things which are for the benefit of the Beneficiary and have a purpose including but not limited to the relief of unemployment, pollution control, environmental improvement, utilities, and, to that end, said Trustees are hereby granted the powers, whether specifically stated herein or not, to fulfill such purposes in the most efficient manner for the benefit of the Beneficiary.

To provide funds for and assist the Beneficiary, governmental agencies and private enterprises, agencies and citizens in making the most efficient use of their resources and powers in providing, constructing, acquiring, rehabilitating or improving adequate housing for low to moderate income residential use, as determined by the Trustees, of every type and character, whether single-family dwellings or multiple-family dwellings, in furtherance of the promotion of the safety, health and welfare of the residents of the Beneficiary.

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Public Trust – cont'd

Termination of the Trust

Upon termination of the Authority, the residue of the Authority's property will be distributed to the Beneficiary. The Authority cannot be terminated by voluntary action if there is outstanding indebtedness or fixed term obligations of the Trustees, unless all owners of such indebtedness or obligations shall have consented in writing to the termination.

The Beneficiary

As previously mentioned, Pottawatomie County is the Beneficiary of this trust, and all properties held by the Authority will become the property of the Beneficiary upon termination of the Authority.

General Fund

Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts at local banks. There were no funds at December 31, 2016, other than those in the trustee bank and at BancFirst.

Property and Equipment

There was no property or equipment held by the General Fund at December 31, 2016.

Educational Facilities Lease Revenue Bonds (2006 Series Shawnee Public Schools)

July 1, 2006, the Series 2006 Bonds are being issued by the Depository Trust Company, New York, New York ("Issuer"), under the terms and provisions of the Indenture, for the purpose of providing funds to the Pottawatomie County Facilities Authority ("Authority") for the financing of certain facilities to be leased to the Shawnee Public Schools (District). Payment of the principal, premium, if any, and interest on the Series 2006 Bonds will be payable from payments to be received by the Issuer from the Authority pursuant to a Loan Agreement which are payable from rental payments from

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**Educational Facilities Lease Revenue Bonds (2006 Series Shawnee Public Schools) –
cont'd**

the District under the terms of a certain Lease Agreement. The Bonds are neither general obligations of the Issuer nor personal obligations of the members of the Issuer, Authority or the District, but are limited obligations payable solely from the revenues specifically pledged to their payment.

A description of sources and uses of the lease revenue bonds is detailed as follows:

Sources of Funds	
Par Amount of Bonds	\$ 16,295,000.00
Original Issue Premium	412,739.20
Accrued Interest from 7-1-06 to 7-26-06	<u>54,316.67</u>
Total Sources	<u><u>\$ 16,762,055.87</u></u>
Use of Funds	
Total Underwriter's Discount (.9000%)	\$ 146,655.00
Costs of Issuance	416,333.50
Deposit to Debt Service Fund (DSF)	469,774.06
Deposit to Debt Service Reserve Fund (DSRF)	1,629,500.00
Deposit to Project Construction Fund (PCF)	<u>14,099,793.31</u>
Total Uses	<u><u>\$ 16,762,055.87</u></u>

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**Educational Facilities Lease Revenue Bonds (2006 Series Shawnee Public Schools) –
cont'd**

The principal and interest maturities are detailed as follows:

Maturity Date	Principal	Interest	Total Maturity Amounts
3/1/2007		488,850.00	488,850.00
9/1/2007	1,000,000.00	407,375.00	1,407,375.00
3/1/2008		382,375.00	382,375.00
9/1/2008	1,085,000.00	382,375.00	1,467,375.00
3/1/2009		355,250.00	355,250.00
9/1/2009	1,180,000.00	355,250.00	1,535,250.00
3/1/2010		325,750.00	325,750.00
9/1/2010	1,275,000.00	325,750.00	1,600,750.00
3/1/2011		293,875.00	293,875.00
9/1/2011	1,390,000.00	293,875.00	1,683,875.00
3/1/2012		259,125.00	259,125.00
9/1/2012	1,500,000.00	259,125.00	1,759,125.00
3/1/2013		221,625.00	221,625.00
9/1/2013	1,610,000.00	221,625.00	1,831,625.00
3/1/2014		181,375.00	181,375.00
9/1/2014	1,730,000.00	181,375.00	1,911,375.00
3/1/2015		138,125.00	138,125.00
9/1/2015	1,870,000.00	138,125.00	2,008,125.00
3/1/2016		91,375.00	91,375.00
9/1/2016	3,655,000.00	91,375.00	3,746,375.00
Totals	<u>\$16,295,000.00</u>	<u>5,393,975.00</u>	<u>21,688,975.00</u>

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**Educational Facilities Lease Revenue Bonds (2006 Series Shawnee Public Schools) –
cont'd**

Operating Lease

The Authority entered into a lease agreement with Shawnee Public Schools on July 1, 2006. As stated in the lease, the District will make quarterly rental payments and acquisition payments every year, detailed as follows:

Payment Date	Rental Payments	Acquisition Payments	Total
March 1, 2007	\$ 9,575.00		9,575.00
September 1, 2007	9,575.00	1,725,000.00	1,734,575.00
March 1, 2008	9,575.00		9,575.00
September 1, 2008	9,575.00	1,760,000.00	1,769,575.00
March 1, 2009	9,575.00		9,575.00
September 1, 2009	9,575.00	1,795,000.00	1,804,575.00
March 1, 2010	9,575.00		9,575.00
September 1, 2010	9,575.00	1,830,000.00	1,839,575.00
March 1, 2011	9,575.00		9,575.00
September 1, 2011	9,575.00	1,865,000.00	1,874,575.00
March 1, 2012	9,575.00		9,575.00
September 1, 2012	9,575.00	1,905,000.00	1,914,575.00
March 1, 2013	9,575.00		9,575.00
September 1, 2013	9,575.00	1,940,000.00	1,949,575.00
March 1, 2014	9,575.00		9,575.00
September 1, 2014	9,575.00	1,980,000.00	1,989,575.00
March 1, 2015	9,575.00		9,575.00
September 1, 2015	9,575.00	2,020,000.00	2,029,575.00
March 1, 2016	9,575.00		9,575.00
September 1, 2016	9,575.00	2,060,000.00	2,069,575.00
Totals	\$191,500.00	18,880,000.00	19,071,500.00

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**Educational Facilities Lease Revenue Bonds (2006 Series Shawnee Public Schools) –
cont'd**

Cash and Cash Equivalents

Cash and Equivalents consist of AP Treasury Money Market Fund.

Property and Equipment

The construction process began in July, 2006. The costs will be accumulated and depreciation will begin when the building is placed into service. The following is a summary of construction and equipment costs stated at cost less accumulated depreciation at December 31, 2016.

Cost of Issuance

The costs associated with issuing the Shawnee Public Schools Bonds amounted to \$562,989. These costs were amortized over the term of the bonds, which was 10 years. Amortization expense amounted to \$9,191 for the year ending December 31, 2016.

	1-Jan 2016	Additions	Deletions	31-Dec 2016
Construction in Progress	\$ 22,324,194	-	22,324,194	-
Less: Accumulated Depreciation	-	-	-	-
Totals	\$ 22,324,194	-	22,324,194	-

STEPHEN H. SANDERS
CERTIFIED PUBLIC ACCOUNTANT

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

To the Trustees
Pottawatomie County Facilities Authority
Shawnee, Oklahoma

I have audited the basis financial statements of the Pottawatomie County Facilities Authority (the Authority), a public trust, and a component unit of Pottawatomie County, Oklahoma, as of and for the year ended December 31, 2016, and have issued my report thereon dated October 12, 2017. During the year ended December 31, 2016, the Authority was required to adopt and implement Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. However, the Trust’s elected not to provide an MD&A as required by those standards. 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 of America.

Internal Control Over Financial Reporting

In planning and performing my audit, we considered the Trust’s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board of trustees and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.



STEPHEN H. SANDERS
Certified Public Accountant

October 12, 2017

**POTTAWATOMIE COUNTY
FACILITIES AUTHORITY
(A PUBLIC TRUST)**

DALE PUBLIC SCHOOLS

Financial Statements

December 31, 2016

Audited by

**STEPHEN H. SANDERS
CERTIFIED PUBLIC ACCOUNTANT**

Shawnee, Oklahoma

**POTTAWATOMIE COUNTRY FACILITIES AUTHORITY
(A PUBLIC TRUST)
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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STEPHEN H. SANDERS
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

Pottawatomie County Facilities Authority
Shawnee, Oklahoma

I have audited the accompanying financial statements of Pottawatomie County Facilities Authority (a public trust), a component unit of Pottawatomie County, Oklahoma, as of and for the year ended December 31, 2016, which collectively comprise the Pottawatomie County Facilities Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's Trustees. 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements made by management, as well as evaluation of the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements referred to above present only the Pottawatomie County Facilities Authority (a public trust), and do not purport to, and do not, present fairly the financial position of Pottawatomie County, Oklahoma, as of December 31, 2016, and the changes in its financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pottawatomie County Facilities Authority as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principals generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2016, Pottawatomie County Facilities Authority was required to adopt and implement Governmental Accounting

Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.*

In accordance with Government Auditing Standards, I have also issued a report dated October 13, 2017, on my consideration of the Pottawatomie County Facilities Authority’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations 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 the 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.

The Pottawatomie County Facilities Authority has not presented the Management’s Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.



STEPHEN H. SANDERS
Certified Public Accountant

October 13, 2017

Pottawatomie County Facilities Authority (Public Trust)
Project Funds Balance Sheet
December 31, 2016

	2010 Educational Facilities Lease Revenue Bonds Dale Public Schools
<u>Assets</u>	
Cash and Cash Equivalents	\$ 596,322
Notes Receivable	585,000
Bond Issuance costs	74,953
Less accumulated amortization	<u>(71,204)</u>
Total Assets	<u><u>\$ 1,185,071</u></u>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Lease Revenue Bonds Payable	\$ 585,000
Accrued Interest Payable	<u>9,154</u>
Total Liabilities	594,154
Fund Balance	<u>590,917</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,185,071</u></u>

*The accompanying notes are an integral part of this statement.

Pottawatomie County Facilities Authority (Public Trust)
Project Funds Statement of Revenues, Expenses and
Change in Fund Balance
For the Year Ended December 31, 2016

	2010 Education Facilities Lease Revenue Bonds Dale Public Schools
<u>Revenues</u>	
Lease Rental Income	\$ 283,750
Interest Income	1
Total Revenues	<u>283,751</u>
<u>Expenses</u>	
Bond Payment	260,000
Interest Expense	24,756
Trustee and Paying Agent Fees	3,845
Bond Issuance Cost	<u>7,495</u>
Total Expenses	<u>296,096</u>
Excess (Default) of Revenues Over (Under) Expenses	(12,345)
Transfer out	(257,005)
Fund Balance, Beginning	<u>860,267</u>
Fund Balance, Ending	<u><u>\$ 590,917</u></u>

*The accompanying notes are an integral part of this statement.

Pottawatomie County Facilities Authority (Public Trust)
Project Funds Statement of Cash Flows
For the Year Ended December 31, 2016

	2010 Education Facilities Lease Revenue Bonds Dale Public Schools
<u>Cash Flow From Operating Activities:</u>	
Cash received from Dale Public Schools rent	\$ 280,750
Net cash provided (used) by operating activities	<u>280,750</u>
<u>Cash Flow From Capital and Related Financing Activities:</u>	
Principal paid on bonds	(260,000)
Interest paid on bonds	(24,756)
Trustee fees	(3,845)
Net cash provided (used) by by financing activities	<u>(288,601)</u>
<u>Cash Flow From Investing Activities:</u>	
Interest on Investments	<u>1</u>
	<u>1</u>
Net increase (decrease) in cash	(7,850)
Accrued interest	6
Transfer out	(257,005)
Cash at the beginning of the year	<u>861,171</u>
Cash at the ending of year	<u>\$ 596,322</u>
<u>Reconciliation of operating income (loss) to Net cash provided (used) by operating activities:</u>	
Operating income (loss)	\$ (7,850)
Adjustment to reconcile operating Income (loss) to net cash:	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (7,850)</u>

*The accompanying notes are an integral part of this statement.

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Summary of Significant Accounting Policies

Component Unit – The Pottawatomie County Facilities Authority is a component unit of Pottawatomie County, Oklahoma. A component unit is one in which the primary government, Pottawatomie County, exercises significant influence. Significant influence or accountability is based primarily on an operational or a financial relationship with the County. A description of the trust follows.

The accounting policies of Pottawatomie County Facilities Authority (the Authority) conform to generally accepted accounting principles as applicable to government entities.

Basis of Presentation – The accounts of the Authority are organized on the basis of various projects and the general fund, each of which is considered to be a separate entity. The operations of each is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenses.

Proprietary Funds – The two types of proprietary funds are enterprise funds and internal service funds. The Authority operates an enterprise fund.

As an enterprise fund, the Authority accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Authority is that the cost of providing services to administer the Authority's various projects be financed or recovered primarily through administrative fees. These administrative fees and any residuals from closed projects are recorded in the accounts labeled as the general fund.

A description of each of the Authority's projects and accounts created by the Projects' indentures are described in the subsequent notes to these financial statements.

Measurement Focus and Basis of Accounting – Proprietary fund types utilize capital maintenance or "economic resources" measurement focus. The accounting objective of this measurement focus is the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are included on their balance sheets.

Proprietary fund types utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used.

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Summary of Significant Accounting Policies – cont'd

Budget – The Authority does not adopt an annual budget.

Encumbrances – Encumbrance accounting is not used by the General Fund or the Projects. With encumbrance accounting, encumbrances are recorded when purchase orders are issued but not considered expenditures until the liabilities for payment are incurred.

Cash Equivalents – Cash Equivalents include highly liquid investments with original maturities of three months or less.

Depreciation – The cost of buildings, vehicles and equipment and the cost of leased assets are being depreciated over the life of the respective assets or leases which approximates their estimated economic life. Depreciation is computed on the straight-line method using a term of 40 to 50 years for financial reporting purposes. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized.

Public Trust

The Pottawatomie County Facilities Authority (the Authority) is a trust created by a Trust Indenture under the authority of Title 60, Oklahoma Statutes 2001, section 176 to 180.4, as amended, and the Oklahoma Trust Act. The beneficiary of the Authority is Pottawatomie County (the Beneficiary).

The Trustees of the Authority shall be three (3) in number and shall be citizens and residents of the Beneficiary.

Purpose of the Authority

The Authority is not organized for profit and no part of its net earnings may inure to the benefit of any private person. The purposes of the Authority, as are more fully described in the Trust Indenture, are:

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Public Trust – cont'd

To assist the Beneficiary, the State of Oklahoma, governmental agencies and private entities, agencies and citizens in its charitable scientific, literary or educational purposes and in making the most efficient use of their economic resources and powers in providing, constructing, expanding, improving, operating and maintaining the buildings and facilities for use or benefit of whatever nature including, but without limitation to, courthouse, jail, detention, social and rehabilitative service facilities; fairgrounds; unemployment offices and facilities; welfare facilities; health facilities, including hospitals, extended care facilities, clinics, community mental health facilities, geriatrics facilities and rest homes; or other governmental buildings and facilities included within and without the territorial limits of the Beneficiary in furtherance of the promotion of the safety, health and welfare of the residents of the Beneficiary.

To plan, finance, acquire, construct, reconstruct, extend, lease, purchase, install, equip, maintain, repair, enlarge remodel, and operative buildings, utilities and other facilities for the use by the United States of America, of the State of Oklahoma, or for use by authorities or agencies of the United States of America or the State of Oklahoma, or of any municipality thereof, or for use by municipal or other political subdivisions of the State of Oklahoma, including the Beneficiary hereof or for the use of corporations, individuals, partnerships, associations or propriety companies; to plan, establish, develop, construct, enlarge, improve, extend, maintain, equip, operate, lease, furnish, provide, supply, regulate, hold, store and administer such buildings or other facilities either within or without the territorial boundaries of the Beneficiary.

To hold, maintain and administer any leasehold rights in and to physical properties demised to the Beneficiary and to comply with the terms and conditions of any such lease.

To acquire by lease, purchase, production, reduction to possession or otherwise, and to plan, establish, develop, construct, enlarge, improve, extend, maintain, equip, operate, furnish, provide, supply, regulate, hold, store and administer any and all physical properties (real, personal or mixed), rights, privileges, immunities, benefits and any other thing of value, designation or needful for the utilization in furnishing, providing or supplying the aforementioned services, buildings and facilities; to finance and refinance and to enter into contracts of purchase, lease-purchase or other interest in or operation and maintenance of said properties, and revenues thereof, and to comply with the terms and conditions of

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Public Trust – cont'd

any such contracts, leases or other contracts made in connection with the acquisition, equipping, maintenance and disposal of any said property; and to relinquish, dispose of, rent or otherwise make provisions for properties owned or controlled by the Authority but no longer needed for Authority purposes.

To perform on behalf of the Beneficiary the functions and powers as authorized by industrial development statutes, including securing developers and maintaining industrial and manufacturing activities and to do all other things to relieve unemployment within and without the territorial boundaries of the Beneficiary.

To finance, refinance, borrow, issue bonds or other evidences of indebtedness to construct, extend, improve, equip or acquire any buildings, facilities or utilities which may directly or indirectly be for the benefit of the Beneficiary, or for any other purpose, or for the other purposes listed herein or which may result in a savings to the Authority or the Beneficiary or any other qualified entity.

To participate in programs of governmental agencies relating to such buildings or facilities or utility service of whatever nature, such participation to include, but not to be limited to, the sale of bonds, notes or other evidence of indebtedness of the Authority or other borrowing or obtaining funds from any of such governmental agencies.

To do all things which are for the benefit of the Beneficiary and have a purpose including but not limited to the relief of unemployment, pollution control, environmental improvement, utilities, and to that end said Trustees are hereby granted the powers, whether specifically stated herein or not, to fulfill such purposes in the most efficient manner for the benefit of the Beneficiary.

To provide funds for and assist the Beneficiary, governmental agencies and private enterprises, agencies and citizens in making the most efficient use of their resources and powers in providing, constructing, acquiring, rehabilitating or improving adequate housing for low to moderate income residential use, as determined by the Trustees, of every type and character, whether single-family dwellings or multiple-family dwellings, in furtherance of the promotion of the safety, health and welfare of the residents of the Beneficiary.

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Public Trust – cont'd

Termination of the Trust

Upon termination of the Authority, the residue of the Authority's property will be distributed to the Beneficiary. The Authority cannot be terminated by voluntary action if there is outstanding indebtedness or fixed term obligations of the Trustees, unless all owners of such indebtedness or obligations shall have consented in writing to the termination.

The Beneficiary

As previously mentioned, Pottawatomie County is the Beneficiary of this trust, and all properties held by the Authority will become the property of the Beneficiary upon termination of the Authority.

General Fund

Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts at local banks. There were no funds at December 31, 2016, other than those in the trustee bank and at BancFirst.

Property and Equipment

There was no property or equipment held by the General Fund at December 31, 2016.

Educational Facilities Lease Revenue Bonds (2010 Series Dale Public Schools)

September 1, 2010, the Series 2010 Bonds are being issued by the Depository Trust Company, New York, New York ("Issuer"), under the terms and provisions of the Indenture, for the purpose of providing funds to the Pottawatomie County Facilities Authority ("Authority") for the financing of certain facilities to be leased to the Harrah Public Schools (District). Payment of the principal, premium, if any, and interest on the Series 2010 Bonds will be payable from payments to be received by the Issuer from the Authority pursuant to a Loan Agreement which are payable from rental payments from

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**Educational Facilities Lease Revenue Bonds (2010 Series Dale Public Schools) –
cont'd**

the District under the terms of a certain Lease Agreement. The Bonds are neither general obligations of the Issuer nor personal obligations of the members of the Issuer, Authority or the District, but are limited obligations payable solely from the revenues specifically pledged to their payment.

A description of sources and uses of the lease revenue bonds is detailed as follows:

Sources of Funds	
Par Amount of Bonds	\$ 1,715,000.00
Original Issue Premium	<u>7,465.35</u>
Total Sources	<u>\$ 1,722,465.35</u>
Use of Funds	
Total Underwriter's Discount (.9000%)	\$ 17,150.00
Costs of Issuance	57,802.50
Deposit to Debt Service Reserve Fund (DSRF)	76,621.41
Deposit to Project Construction Fund (PCF)	<u>1,570,891.44</u>
Total Uses	<u>\$ 1,722,465.35</u>

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**Educational Facilities Lease Revenue Bonds (2010 Series Dale Public Schools) –
cont'd**

The principal and interest maturities are detailed as follows:

	Maturity Date	Principal	Interest	Total Maturity Amounts
	9/1/2014	\$ 225,000.00	37,206.25	262,206.25
	9/1/2015	240,000.00	30,456.25	270,456.25
	9/1/2016	260,000.00	24,756.25	284,756.25
	9/1/2017	280,000.00	17,931.25	297,931.25
	9/1/2018	305,000.00	9,531.25	314,531.25
Totals		<u>\$1,310,000.00</u>	<u>119,881.25</u>	<u>1,429,881.25</u>

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Operating Lease

The Authority entered into a lease agreement with Dale Public Schools on September 1, 2010. As stated in the lease, the District will make annual rental payments and/or acquisition payments every year, detailed as follows:

Payment Date	Rental Payments	Acquisition Payments	Total
September 1, 2011	\$ 47,300.00		47,300.00
September 1, 2012	49,356.00	195,000.00	244,356.00
September 1, 2013		210,000.00	210,000.00
September 1, 2014	37,206.00	225,000.00	262,206.00
September 1, 2015	38,054.00	240,000.00	278,054.00
September 1, 2016	36,444.00	260,000.00	296,444.00
September 1, 2017	34,640.00	280,000.00	314,640.00
September 1, 2018	17,044.00	305,000.00	322,044.00
Totals	\$ 260,044.00	1,715,000.00	1,975,044.00

**POTTAWATOMIE COUNTY FACILITIES AUTHORITY
(A TRUST)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**Educational Facilities Lease Revenue Bonds (2010 Series Dale Public Schools) –
cont'd**

Cash and Cash Equivalents

Cash and Equivalents consist of AP Treasury Money Market Fund.

Property and Equipment

The construction process began in April, 2011. The costs will be accumulated and depreciation will begin when the building is placed into service. The following is a summary of construction and equipment costs stated at cost less accumulated depreciation at December 31, 2016.

	1-Jan 2016	Additions	Deletions	31-Dec 2016
Construction in Progress	\$ 1,409,054	-	-	1,409,054
Less: Accumulated Depreciation	-	-	-	-
Totals	<u>\$ 1,409,054</u>	<u>-</u>	<u>-</u>	<u>1,409,054</u>

Cost of Issuance

The costs associated with issuing the Dale Public Schools Bonds amounted to \$74,953. These costs will be amortized over the term of the bonds, which is 10 years. Amortization expense amounted to \$7,495 for the period ending December 31, 2016.

STEPHEN H. SANDERS
CERTIFIED PUBLIC ACCOUNTANT

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

To the Trustees
Pottawatomie County Facilities Authority
Shawnee, Oklahoma

I have audited the basis financial statements of the Pottawatomie County Facilities Authority (the Authority), a public trust, and a component unit of Pottawatomie County, Oklahoma, as of and for the year ended December 31, 2016, and have issued my report thereon dated October 13, 2017. During the year ended December 31, 2016, the Authority was required to adopt and implement Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. However, the Trust’s elected not to provide an MD&A as required by those standards. 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 of America.


Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Trust’s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board of trustees and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.


STEPHEN H. SANDERS
Certified Public Accountant

October 13, 2017