

POTTAWATOMIE COUNTY
FACILITIES AUTHORITY

Financial Statements
For the Year Ended December 31, 2017

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pottawatomie County Facilities Authority, as of December 31, 2017 and the changes in financial position and cash flows thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The Pottawatomie County Facilities Authority has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Pottawatomie County Facilities Authority's basic financial statements. The accompanying supplementary information, as identified in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 29, 2019 on my consideration of Pottawatomie County Facilities Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that

report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering Pottawatomie County Facilities Authority's internal control over financial reporting and compliance.

Robert D. Turner

Robert D. Turner, CPA
April 29, 2019

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Statement of Net Position

December 31, 2017

	<u>Total</u>
Current Assets	
Cash and Cash Equivalents	\$ 24,144,317
Notes Receivable	843,000
Total Current Assets	<u>24,987,317</u>
Non Current Assets	
Notes Receivable	33,457,000
Bond Issuance Cost	1,483,120
Amortization of Bond Cost	(243,150)
Construction in Progress	7,380,281
Total Non Current Assets	<u>42,077,251</u>
Total Assets	<u><u>\$ 67,064,568</u></u>
Current Liabilities	
Bond Payable	\$ 843,000
Accrued Interest Payable	198,687
Bond Premium	383,600
Total Current Liabilities	<u>1,425,287</u>
Non Current Liabilities	
Bonds Payable	<u>33,457,000</u>
Total Non Current Liabilities	33,457,000
Total Liabilities	34,882,287
Total Net Position	<u><u>\$ 32,182,281</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Statement of Revenues, Expenses and
Changes in Net Position
For the Year Ending December 31, 2017

	<u>Total</u>
Operating Revenues	
Rental Income	<u>\$ 834,950</u>
Total Operating Revenues	834,950
Operating Expenses	
Amortization Expense	76,906
Funds Paid to Schools	29,000
Interest Expense	508,363
Other Fees	5,093
Trustee Fees	<u>9,708</u>
Total Operating Expenses	<u>629,070</u>
Operating Income (Loss)	205,880
Non Operating Revenues	
Interest Income	67,818
Bonds Paid	(690,000)
Bond Proceeds	<u>23,200,000</u>
Total Non Operating Revenues	<u>22,577,818</u>
Change in Net Position	<u>22,783,698</u>
Net Position, Beginning of Year	12,313,583
Prior Period Adjustment (Note 8)	<u>(2,915,000)</u>
Net Position, End of Year	<u><u>\$ 32,182,281</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

**Statement of Cash Flows
For the Year Ended December 31, 2017**

Cash Flows From Operating Activities:

Rental Revenues	\$ 834,950
Payment to Vendors and Schools	(43,801)
Bond Interest Paid	(354,775)
Net Cash Provided (Used) Operating Activities	<u>436,374</u>

Cash Flows From Capital and Related

Financing Activities:

Bond Proceeds	23,200,000
Bond Premium	383,600
Bond Principle Paid	(690,000)
Notes Receivable	(22,510,000)
Bond Issuance Cost	(1,277,482)
Contruction in Progress	(7,380,281)
Bonds Payable	22,510,000
Prior Period Adjustment	<u>(2,915,000)</u>

**Net Cash Provided by (Used) Capital
and Related Financing Activities**

11,320,837

Cash Flows From Investing Activities:

Interest Income	<u>67,818</u>
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Net Cash Provided by (Used) From Investing Activity	67,818
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Net Increase (Decrease) in Cash	11,825,029
Cash Balance - Beginning of the Year	<u>12,319,288</u>
Cash Balance - End of the Year	<u>24,144,317</u>

**Reconciliation of Operating Income (Loss) to
Net Cash Provided(Used) Operating Activities:
Adjustments to Reconcile Operating Income
to Net Cash Provided by Operating Activities:**

Operating Income(Loss)	205,888
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**Adjustment to Reconcile Operating Income
to Net Cash Provided by Operating Activities:**

Amortization Expense	76,906
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Change in Assets and Liabilities:

Increase Accrued Interest Payable	153,580
Net Cash Provided(Used) by Operating Activities	<u>\$ 436,374</u>

See Independent Auditor's Report and Notes to the Financial Statement.

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

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.

Component Unit

Component units are legally separate organizations for which the officials of the primary entity are financially responsible. In addition, component units can be other organizations which the nature and significance of their relationship with the primary entity are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority is a component unit of Pottawatomie County, Oklahoma.

Note 2 - 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:

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

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Notes to Financial Statements

or agencies of the United States of America or 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.

The Authority has the power:

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 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

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Notes to Financial Statements

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.

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 obligation of the Trustees, unless all owners of such indebtedness or obligations shall have consented in writing to the termination.

Note 3 - Basis of Presentation

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Measurement Focus and Basis of Accounting

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The Authority's financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred.

Assets, Liabilities, and Net Position

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Authority considers all cash on hand, demand deposit accounts, interest bearing checking accounts, and time deposit accounts including certificates of deposit with maturities of three months or less to be cash and cash equivalents.

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Notes to Financial Statements

Net Position

Net Position is divided into three components:

a. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvement of those assets.

b. *Restricted net position* – Consists of net assets with constraints placed on their use by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. *Unrestricted net positions* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

It is the Authority’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which restricted and unrestricted net position are available.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities and net position, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Investments

State statutes govern the Authority’s investment policy. Permissible investments include direct obligations of the United States Government and Agencies: certificates of deposit of savings and loan associations, and bank and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. All investments are recorded at fair value.

Statements of Cash Flows

In accordance with FASB Statement No. 95, *Statement of Cash Flows*, as amended by FASB Statement No. 117, the accompanying financial statements include a Statement of Cash Flows which is presented using the direct method.

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Notes to Financial Statements

Income Tax Status

The Authority qualifies as an organization exempt from income taxes. As a government instrumentality, no provision has been made for federal or state income taxes.

Budget

Title 60 requires public trusts to have budgets. This budget requirement does not set legal appropriations; therefore, a budget to actual statement is not required.

Revenues and Expenses

Operating Revenues – Operating revenues include activities that have the Characteristics of exchange transactions, such as service fees.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as grants from other governments, gifts, and contributions, and other revenue sources that are defined as nonoperating revenue.

Expenses – The Authority Reports expenses relating to the use of economic resources.

Note 4 - Notes Receivable

The following schedule summarizes the payments the Authority will receive to pay down principal and interest on the bonds:

Bethel Public School Series 2008

Year	Principal	Interest	Total Payment
2018	\$ 440,000	\$ 96,550	\$ 536,550
2019	1,480,000	72,150	1,552,150
TOTAL	<u>\$ 1,920,000</u>	<u>\$ 168,700</u>	<u>\$ 2,088,700</u>

Dale Public Schools Series 2010

Year	Principal	Interest	Total Payment
2018	\$ 305,000	\$ 17,044	\$ 322,044
TOTAL	<u>\$ 305,000</u>	<u>\$ 17,044</u>	<u>\$ 322,044</u>

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Notes to Financial Statements

Tecumseh Public Schools Series 2016 A & B

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2020	\$ 1,095,000 *	\$ 377,400	\$ 1,472,400
2021	570,000	332,400	902,400
2022	595,000	307,400	902,400
2023	625,000	277,400	902,400
2024	645,000	257,400	902,400
2025	675,000	227,400	902,400
2026	705,000	197,400	902,400
2027	730,000	172,400	902,400
2028	765,000	137,400	902,400
2029	790,000	112,400	902,400
2030	830,000	72,400	902,400
2031	850,000	52,400	902,400
TOTAL	<u>\$ 8,875,000</u>	<u>\$ 2,523,800</u>	<u>\$ 11,398,800</u>

* Includes Series B Bonds of \$570,000.

Dale Public Schools Series 2017

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2018	\$ 81,000	\$ 135,600	\$ 216,600
2019	45,000	213,570	258,570
2020	362,000	212,220	574,220
2021	388,000	201,360	589,360
2022	414,000	189,720	603,720
2023	447,000	177,300	624,300
2024	475,000	163,890	638,890
2025	499,000	149,640	648,640
2026	524,000	134,670	658,670
2027	555,000	118,950	673,950
2028	587,000	102,300	689,300
2029	624,000	84,690	708,690
2030	653,000	65,970	718,970
2031	688,000	46,380	734,380
2032	858,000	25,740	883,740
TOTAL	<u>\$ 7,200,000</u>	<u>\$ 2,022,000</u>	<u>\$ 9,222,000</u>

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Notes to Financial Statements

North Rock Creek Schools Series 2017

Year	Principal	Interest	Total Payment
2018	\$ 17,000	\$ 574,844	\$ 591,844
2019	767,000	463,507	1,230,507
2020	1,210,000	441,264	1,651,264
2021	1,319,000	406,174	1,725,174
2022	1,408,000	367,923	1,775,923
2023	1,532,000	327,091	1,859,091
2024	1,740,000	282,663	2,022,663
2025	1,840,000	232,203	2,072,203
2026	1,943,000	178,843	2,121,843
2027	4,224,000	122,496	4,346,496
TOTAL	\$ 16,000,000	\$ 3,397,008	\$ 19,397,008

Note 5 – Bonds Payable

Bonds issued by the various programs are generally payable in annual and semiannual installments and are subject to mandatory sinking fund requirements. These bonds are special obligations of Pottawatomie County Facilities Authority, payable solely from income and receipts of these indentures. The bonds are secured by mortgage loans and other assets of the respective indenture. The bonds are not general obligations of the issuer nor personal obligations of the members of the issuer, Pottawatomie County Facilities Authority, but are limited obligations payable solely from revenues specifically pledged to their payment.

Outstanding Bonds at December 31, 2017.

YEAR	BETHEL SERIES 2008	DALE SERIES 2010	TECUMSEH SERIES 2016 A&B	DALE SERIES 2017	NORTH ROCK CREEK SERIES 2017	TOTAL
2018	\$ 440,000	\$ 305,000		\$ 81,000	\$ 17,000	\$ 843,000
2019	1,480,000			45,000	767,000	2,292,000
2020			\$ 1,095,000 *	362,000	1,210,000	2,667,000
2021			570,000	388,000	1,319,000	2,277,000
2022			595,000	414,000	1,408,000	2,417,000
2023			625,000	447,000	1,532,000	2,604,000
2024			645,000	475,000	1,740,000	2,860,000
2025			675,000	499,000	1,840,000	3,014,000
2026			705,000	524,000	1,943,000	3,172,000
2027			730,000	555,000	4,224,000	5,509,000
2028			765,000	587,000		1,352,000
2029			790,000	624,000		1,414,000
2030			830,000	653,000		1,483,000
2031			850,000	688,000		1,538,000
2032				858,000		858,000
TOTAL	\$ 1,920,000	\$ 305,000	\$ 8,875,000	\$ 7,200,000	\$ 16,000,000	\$ 34,300,000

* Includes Series B bonds of \$570,000.

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Notes to Financial Statements

Note 6 – Risk Management

The Authority is exposed to various risks of loss related to torts, errors, and omissions. At this time, the Authority carries no surety bonds or other types of insurance. As the Authority has no capital assets, it carries no property insurance.

Note 7 – Commitments and Contingencies

The Authority is not involved in any legal proceedings, which normally occur in the course of operations, at this time. While legal proceedings cannot be foreseen, the Authority believes that any settlement or judgment would not have a material effect on the financial condition of the Authority.

The Authority is dependent upon repayment of bonds solely from the beneficiary of the bond issue. If the beneficiary defaulted on the bond payments, it would not have a significant impact on the Authority's financial condition. Conduit debt is non-recourse debt.

Note 8 – Prior Period Adjustment

Bethel Series 2008 - The cash and cash equivalents were overstated by \$2,330,000. Ending cash and cash equivalents were \$517,966 at December 31, 2016. An adjustment was made to beginning net position on page 5 decreasing this account \$2,330,000.

Dale Series 2010 - The cash and cash equivalents were overstated by \$585,000. Ending cash and cash equivalents were \$11,322 at December 31, 2016. An adjustment was made to beginning net position on page 5 decreasing this account \$585,000.

Note 9 – Subsequent Events

Management has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through the date on which the financial statements were available to be issued.

Supplemental Schedules

POTTWATOMIE COUNTY FACILITIES AUTHORITY

**Supplemental Combining Schedule of Net Position
December 31, 2017**

	<u>Bethel Public Schools Series 2008</u>	<u>Dale Public Schools Series 2010</u>	<u>Tecumseh Public Schools Series 2016 A&B</u>	<u>Dale Public Schools Series 2017</u>	<u>North Rock Creek Schools Series 2017</u>	<u>Authority's General Fund</u>	<u>Total</u>
Current Assets							
Cash and Cash Equivalents	\$ 511,136	\$ 8,559	\$ 2,462,257	\$ 6,665,459	\$ 14,491,200	\$ 5,706	\$ 24,144,317
Notes Receivable	440,000	305,000		81,000	17,000		843,000
Total Current Assets	<u>951,136</u>	<u>313,559</u>	<u>2,462,257</u>	<u>6,746,459</u>	<u>14,508,200</u>	<u>5,706</u>	<u>24,987,317</u>
Non Current Assets							
Notes Receivable	1,480,000		8,875,000	7,119,000	15,983,000		33,457,000
Bond Issuance Cost	130,685	74,953	257,719	361,319	658,444		1,483,120
Amortization of Bond Cost	(106,928)	(74,953)	(24,565)	(8,602)	(28,102)		(243,150)
Construction in Progress			6,356,648	173,106	850,527		7,380,281
Total Non Current Assets	<u>1,503,757</u>		<u>15,464,802</u>	<u>7,644,823</u>	<u>17,463,869</u>		<u>42,077,251</u>
Total Assets	<u>\$ 2,454,893</u>	<u>\$ 313,559</u>	<u>\$ 17,927,059</u>	<u>\$ 14,391,282</u>	<u>\$ 31,972,069</u>	<u>\$ 5,706</u>	<u>\$ 67,064,568</u>
Current Liabilities							
Bond Payable	440,000	305,000		81,000	17,000		843,000
Accrued Interest Payable	30,217	6,009	58,027	56,530	47,904		198,687
Bond Premium			383,600				383,600
Total Current Liabilities	<u>470,217</u>	<u>311,009</u>	<u>441,627</u>	<u>137,530</u>	<u>64,904</u>		<u>1,425,287</u>
Non Current Liabilities							
Bonds Payable	1,480,000		8,875,000	7,119,000	15,983,000		33,457,000
Total Non Current Liabilities	<u>1,480,000</u>		<u>8,875,000</u>	<u>7,119,000</u>	<u>15,983,000</u>		<u>33,457,000</u>
Total Liabilities	<u>1,950,217</u>	<u>311,009</u>	<u>9,316,627</u>	<u>7,256,530</u>	<u>16,047,904</u>		<u>34,882,287</u>
Total Net Position	<u>\$ 504,676</u>	<u>\$ 2,550</u>	<u>\$ 8,610,432</u>	<u>\$ 7,134,752</u>	<u>\$ 15,924,165</u>	<u>\$ 5,706</u>	<u>\$ 32,182,281</u>

POTTWATOMIE COUNTY FACILITIES AUTHORITY

**Supplemental Combining Schedule of Revenues, Expenses and Change in Net Position
For the Year Ending December 31, 2017**

	<u>Bethel Public Schools Series 2008</u>	<u>Dale Public Schools Series 2010</u>	<u>Tecumseh Public Schools Series 2016 A&B</u>	<u>Dale Public Schools Series 2017</u>	<u>North Rock Creek Schools Series 2017</u>	<u>Authority General Fund</u>	<u>Total</u>
Operating Revenues							
Rental Income	\$ 498,700	\$ 298,750	\$ 37,500				\$ 834,950
Total Operating Revenues	<u>498,700</u>	<u>298,750</u>	<u>37,500</u>				<u>834,950</u>
Operating Expenses							
Amortization Expense	11,888	3,749	24,565	8,602	28,102		76,906
Funds Paid to Schools						29,000	29,000
Interest Expense	103,175	14,643	286,111	56,530	47,904		508,363
Other Fees	1,398	585				3,110	5,093
Trustee Fees	3,500	3,000	3,208				9,708
Total Operating Expenses	<u>119,961</u>	<u>21,977</u>	<u>313,884</u>	<u>65,132</u>	<u>76,006</u>	<u>32,110</u>	<u>629,070</u>
Operating Income (Loss)	378,739	276,773	(276,384)	(65,132)	(76,006)	(32,110)	205,880
Non Operating Revenues							
Interest Income	20,208	94	24,241	7,084	16,171	20	67,818
Bonds Paid	(410,000)	(280,000)					(690,000)
Bond Proceeds				7,200,000	16,000,000		23,200,000
Total Non Operating Revenues	<u>(389,792)</u>	<u>(279,906)</u>	<u>24,241</u>	<u>7,207,084</u>	<u>16,016,171</u>	<u>20</u>	<u>22,577,818</u>
Transfer to General Fund	(1,515)	(234)	(12,425)	(7,200)	(16,000)	37,374	
Change in Net Position	<u>(12,568)</u>	<u>(3,367)</u>	<u>(264,568)</u>	<u>7,134,752</u>	<u>15,924,165</u>	<u>5,284</u>	<u>22,783,698</u>
Net Position, Beginning of Year	2,847,244	590,917	8,875,000			422	12,313,583
Prior Period Adjustment	(2,330,000)	(585,000)					(2,915,000)
Net Position, End of Year	<u>\$ 504,676</u>	<u>\$ 2,550</u>	<u>\$ 8,610,432</u>	<u>\$ 7,134,752</u>	<u>\$ 15,924,165</u>	<u>\$ 5,706</u>	<u>\$ 32,182,281</u>

ROBERT D. TURNER C.P.A.

808 WEST GORE BLVD. • LAWTON, OK 73501 • (580) 248-7738 • fax (877) 366-0330

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To Trustees of
The Pottawatomie County Facilities Authority

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position and the related statements of revenues, expenses and changes in net position and cash flows of Pottawatomie County Facilities Authority as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise Pottawatomie County Facilities Authority's basic financial statement and issued my report thereon dated April 29, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these

limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robert D. Turner

Robert D. Turner, C.P.A.
April 29, 2019