

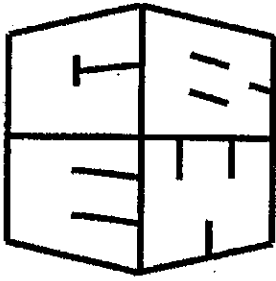
SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2019 and 2018

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

January 9, 2020

Board of Directors
Seminole County Public Buildings Authority
Wewoka, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Seminole County Public Buildings Authority (SCPBA), a component unit of Seminole County, Oklahoma, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Seminole County Public Buildings Authority as of June 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Seminole County Public Buildings Authority, a component unit of Seminole County, Oklahoma, and do not purport to, and do not, present fairly the financial position of Seminole County, Oklahoma, as of June 30, 2019 and 2018 and the changes in its financial position and cash flows in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

SCPBA has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2020, on our consideration of the Seminole County Public Buildings Authority's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and 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 the Seminole County Public Buildings Authority's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants
Cushing, Oklahoma

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

STATEMENT OF NET POSITION
June 30, 2019 and 2018

	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>
Assets:		
Cash and investments:		
Cash and cash equivalents (Note 1)	\$ 426,454	\$ 533,022
Accounts receivable	198,449	227,869
Restricted assets:		
Trustee accounts/cash & investments (Note 1)	242,827	330,144
Capital assets:		
Land	26,137	26,137
Buildings, improvements and equipment	8,163,575	8,163,575
Less accumulated depreciation	(2,194,261)	(1,918,549)
Other assets:		
Utility deposit	670	670
Total assets	<u>6,863,851</u>	<u>7,362,868</u>
Deferred outflows of resources:		
Total deferred outflows	<u>-</u>	<u>-</u>
Liabilities:		
Accounts payable	21,614	38,587
Accrued interest payable	24,413	113,269
Accrued compensated absences	10,779	7,524
Sales tax revenue notes payable (Note 3)	290,000	360,000
Non-current liabilities:		
Sales tax revenue notes payable (Note 3)	3,805,000	3,955,000
Total liabilities	<u>4,151,806</u>	<u>4,474,380</u>
Deferred inflows of resources:		
Total deferred inflows	<u>-</u>	<u>-</u>
Net position:		
Net investment in capital assets	4,094,712	3,874,712
Restricted	242,827	330,144
Unrestricted	<u>(1,625,494)</u>	<u>(1,316,368)</u>
Total net position	<u>\$ 2,712,045</u>	<u>\$ 2,888,488</u>

The accompanying notes are an integral part of the basic financial statements.

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

STATEMENT OF ACTIVITIES
For the Fiscal Years Ending June 30, 2019 and 2018

	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>
Revenues:		
Sales tax revenue	\$ 1,260,545	\$ 1,242,784
Total revenues	<u>1,260,545</u>	<u>1,242,784</u>
Expenses:		
Advertising	205	122
Depreciation	275,712	275,712
Food services	149,439	161,747
Legal and professional	6,100	6,100
Medical services and supplies	110,526	20,010
Payroll expenses	474,329	426,419
Repairs and maintenance	12,804	7,744
Supplies	2,588	7,387
Travel	-	-
Utilities	88,649	56,136
Total expenses	<u>1,120,352</u>	<u>961,377</u>
Operating income (loss)	<u>140,193</u>	<u>281,407</u>
Other income and expense:		
Interest income	3,903	1,964
Interest expense	(221,382)	(231,131)
Miscellaneous income	243	191
Loan costs	(95,400)	-
Trustee fees	(4,000)	(4,000)
Total other income and expense	<u>(316,636)</u>	<u>(232,976)</u>
Net income (loss)	(176,443)	48,431
Net position - beginning of year	<u>2,888,488</u>	<u>2,840,057</u>
Net position - end of year	<u>\$ 2,712,045</u>	<u>\$ 2,888,488</u>

The accompanying notes are an integral part of the basic financial statements.

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

STATEMENT OF CASH FLOWS
For the Fiscal Years Ending June 30, 2019 and 2018

	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>
Cash flows from operating activities:		
Cash received from sales taxes	\$ 1,289,965	\$ 1,213,140
Cash payments to suppliers for goods and contractors and other services	(858,358)	(653,452)
Net cash provided by operating activities	<u>431,607</u>	<u>559,688</u>
Cash flows from noncapital financing activities:		
Miscellaneous income	243	191
Net changes in restricted assets	87,317	11,861
Net cash provided (used) for noncapital financing activities	<u>87,560</u>	<u>12,052</u>
Cash flows from investing activities		
Interest income	3,903	1,963
Net cash provided (used) by investing activities	<u>3,903</u>	<u>1,963</u>
Cash flows from financing activities:		
Acquisition and construction of capital assets	-	-
Principal paid on debt	(220,000)	(345,000)
Interest expense	(310,238)	(240,187)
Loan costs	(95,400)	-
Trustee fees	(4,000)	(4,000)
Net cash provided (used) for capital and related financing activities	<u>(629,638)</u>	<u>(589,187)</u>
Net increase (decrease) in cash	(106,568)	(15,484)
Cash and cash equivalents at beginning of year	<u>533,022</u>	<u>548,506</u>
Cash and cash equivalents at end of year	<u>\$ 426,454</u>	<u>\$ 533,022</u>
Reconciliation of operation income to net cash provided by operating activities:		
Operating income (loss)	\$ 140,193	\$ 281,407
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	275,712	275,712
Change in assets and liabilities:		
Increase (decrease) in accounts payable	(16,973)	38,374
Increase (decrease) in accrued compensated absences	3,255	(6,161)
(Increase) decrease in utility deposits	-	-
(Increase) decrease in accounts receivable	29,420	(29,644)
Total adjustments	<u>291,414</u>	<u>278,281</u>
Net cash provided by operating activities	<u>\$ 431,607</u>	<u>\$ 559,688</u>

The accompanying notes are an integral part of the basic financial statements.

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019 and 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Management

Seminole County Public Buildings Authority (SCPBA) is a public trust created August 13, 2007 under the authority and pursuant to the provisions of Title 60, Oklahoma Statutes 2001, Sections 176-180.4, as amended and supplemented in the Oklahoma Trust Act.

SCPBA by virtue of common control and dependence is a component unit of Seminole County, Oklahoma. SCPBA has a five-member board consisting of resident property owners and registered voters in Seminole County, of which three are appointed by the County Commissioners to serve as Trustees of the Authority. The fourth Trustee is considered the chairman, who is also the chairman of the Board of County Commissioners. The fifth Trustee is the Sheriff of Seminole County or the Sheriff's designee. Seminole County maintains beneficial interest in SCPBA. The financial activities of Seminole County and its other component units are not included in the financial statements of SCPBA.

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The financial statements present only the Seminole County Public Buildings Authority and do not purport to, and do not, present the financial position of Seminole County, Oklahoma, as of June 30, 2019 and 2018.

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Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accounts of the SCPBA are organized as a proprietary fund that is considered to be a separate accounting entity. The operations of the fund are summarized by providing a separate set of self-balancing accounts that include its assets, liabilities, net position, revenues and expenses. A proprietary fund is used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing facilities is financed through sales taxes. Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) are included in the balance sheet.

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Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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Assets, Liabilities and Equity

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1. Deposits and Investments

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Oklahoma Statutes authorize SCPBA to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, SCPBA can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, SCPBA's cash and cash equivalents are considered to be; cash on hand, demand deposits, and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments.

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SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

7. Compensated Absences

SCPBA provides for the salaries of County jail employees but for Federal reporting purposes all employee are reported as County employees. It is the County's policy to permit employees to accumulate earned by unused vacation and sick time. Full-time employees are granted vacation benefits in varying amounts to specified maximums depending upon tenure with the County. Generally, employees are entitled to accrued vacation leave upon termination. Sick leave may be accumulated to a maximum of 1,460 hours but employees are not compensated for unused sick leave upon termination. The expense and related liability for vested vacation benefits and compensatory time is record in these financial statements.

8. Comparative Data

Comparative information for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in SCPBA's financial position and operations. No reclassifications have been made for comparability.

2. CAPITAL ASSETS

The following is a summary of changes in property and equipment.

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19
Land	\$ 26,137	\$ -	\$ -	\$ 26,137
Construction in process	-	-	-	-
Buildings & Improvements	8,036,486	-	-	8,036,486
Furniture & Equipment	127,089	-	-	127,089
Total	8,189,712	-	-	8,189,712
Less accumulated depreciation	(1,918,549)	(275,712)	-	(2,194,261)
Net	<u>\$ 6,271,163</u>	<u>\$ (275,712)</u>	<u>\$ -</u>	<u>\$ 5,995,451</u>

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Land	\$ 26,137	\$ -	\$ -	\$ 26,137
Construction in process	-	-	-	-
Buildings & Improvements	8,036,486	-	-	8,036,486
Furniture & Equipment	127,089	-	-	127,089
Total	8,189,712	-	-	8,189,712
Less accumulated depreciation	(1,642,837)	(275,712)	-	(1,918,549)
Net	<u>\$ 6,546,875</u>	<u>\$ (275,712)</u>	<u>\$ -</u>	<u>\$ 6,271,163</u>

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019 and 2018

3. LONG-TERM DEBT

SCPBA's Sales Tax Revenue Note Series 2009 was issued to fund construction of the Seminole County jail. The County shall levy a \$0.005 sales tax as of August 13, 2007, which was approved by voters on September 6, 2006. Sales tax funding is to be used for the sole purpose of all related costs for acquiring, constructing, equipping, repairing, renovating, operating and maintaining the County jail facilities for the County of Seminole, Oklahoma. This issue was refunded for a Sales Tax Revenue Note Series 2019.

SCPBA's long-term debt and amounts to be repaid from business-type activities are described below.

\$6,695,000 Series 2009 Sales Tax Revenue Note dated July 30, 2009 due in semi-annual installments of \$90,000 to \$280,000 through July 1, 2027 with interest payable semi-annually at 5.25%. This note was refunded during the year.

\$4,095,000 Series 2019 Refunding Sales Tax Revenue Note dated April 18, 2019 due in semi-annual installments of \$65,000 to \$280,000 through July 1, 2027 with interest payable semi-annually at 2.94%.

The following is a summary of long-term debt transactions of SCPBA:

	Original Amount	Balance Outstanding 6/30/18	Issued	or Defeased During Year	Balance Outstanding 6/30/19	Current Portion
SCPBA						
Series 2019 Ref	\$ 4,095,000	\$ -	\$ 4,095,000	\$ -	\$ 4,095,000	\$ 290,000
Series 2009 Note	6,695,000	4,315,000	-	(4,315,000)	-	-
Total	<u>\$ 10,790,000</u>	<u>\$ 4,315,000</u>	<u>\$ 4,095,000</u>	<u>\$ (4,315,000)</u>	<u>\$ 4,095,000</u>	<u>\$ 290,000</u>

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Totals
2020	\$ 290,000	\$ 83,654	\$ 373,654
2021	460,000	108,559	568,559
2022	470,000	94,962	564,962
2023	490,000	80,997	570,997
2024	500,000	66,518	566,518
2025-2028	1,885,000	112,602	1,997,602
Total Liability	<u>\$ 4,095,000</u>	<u>\$ 547,292</u>	<u>\$ 4,642,292</u>

4. RISK MANAGEMENT

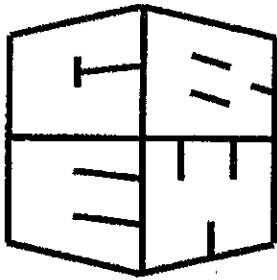
SCPBA is exposed to various risks of loss related to general liability and torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority continues to carry commercial insurance for these risks, including general liability, property damage, and public officials' liability.

5. CONCENTRATIONS

Approximately 100% and 100% of the Authority's revenues were derived from sales tax collections for June 30, 2019 and 2018, respectively. Any significant change in sales tax appropriations by Seminole County could have a significant impact on operations.

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2019 and 2018



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

January 9, 2020

Board of Directors
Seminole County Public Buildings Authority
Wewoka, Oklahoma

We 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 financial statements of the Seminole County Public Buildings Authority (SCPBA), a component unit of Seminole County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise SCPBA's basic financial statements, and have issued our report thereon dated January 9, 2020. SCPBA did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SCPBA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCPBA's internal control. Accordingly, we do not express an opinion on the effectiveness of SCPBA'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 a 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.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as finding 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCPBA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

SCPBA's Response to Finding

SCPBA's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. SCPBA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants
Cushing, Oklahoma

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2019

2019-001. Internal Control – Payroll Time Sheets

Criteria: The payroll clerk should keep accurate time sheets that support the payroll paid to employees. Accurate recordkeeping for payroll and reconciliation of the payroll support is an important control activity needed to adequately protect the Authority's assets and ensure accurate financial reporting.

Condition: The payroll clerk was not able to provide the payroll time sheets to support the payroll for several periods of the audit.

Cause: The payroll clerk did not keep the payroll time sheets to support the payroll.

Effect or Potential Effect: Without sufficient time sheets, the risk significantly increases that errors and fraud related to payroll activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management should consider a formal evaluation of their risks associated with the inability to provide accurate time sheets to properly pay employees. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with this, such as providing increased management oversight of payroll.

Responsible Official's Response: The district concurs with the recommendation and has appropriately hired another payroll clerk to follow the appropriate procedures for payroll.