

CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY



ANNUAL FINANCIAL REPORT

JUNE 30, 2019

Includes Independent
Auditor's Reports Issued By



**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
ANNUAL FINANCIAL REPORT
JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Canadian County Public Facilities Authority
a component unit of Canadian County, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Canadian County Public Facilities Authority ("Trust"), a component unit of Canadian County, Oklahoma, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Trust's basic 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Canadian County Public Facilities Authority as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2020, on our consideration of the 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 the results of that testing, and not to provide an opinion on 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 Authority's internal control over financial reporting and compliance.

Other Matters

Required Supplementary Information

The Trust 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 the 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.



August 7, 2020

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
STATEMENT OF NET POSITION
JUNE 30, 2019**

| | Governmental Activities | Business-type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 60,974 | \$ 60,974 |
| Capital assets (net) | - | 4,940,622 | 4,940,622 |
| Interfund receivable (payable) | - | - | - |
| Total assets | <u>-</u> | <u>5,001,596</u> | <u>5,001,596</u> |
| LIABILITIES | | | |
| Other liabilities | - | 5,476 | 5,476 |
| Due to other related trust | - | 230,039 | 230,039 |
| Long-term debt, current | - | 380,000 | 380,000 |
| Long-term debt | - | 3,220,538 | 3,220,538 |
| Total liabilities | <u>-</u> | <u>3,836,053</u> | <u>3,836,053</u> |
| NET POSITION | | | |
| Net investment in capital assets | - | 1,340,084 | 1,340,084 |
| Unrestricted | - | (174,541) | (174,541) |
| Committed | - | - | - |
| Total net position | <u>\$ -</u> | <u>\$ 1,165,543</u> | <u>\$ 1,165,543</u> |

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

| | <u>Expenses</u> | <u>Program Revenues Charges for Services</u> | <u>Net (Expense)/ Revenue</u> |
|--------------------------------|-------------------|--|---------------------------------------|
| Functions/Programs: | | | |
| Governmental activities: | | | |
| Public purpose | | | |
| Professional fees | \$ 220 | \$ - | \$ (220) |
| Depreciation expense | - | - | - |
| Total governmental activities | <u>220</u> | <u>-</u> | <u>(220)</u> |
| Business-type activities: | | | |
| Rental activities | 206,500 | 9,867 | (196,633) |
| Total business-type activities | <u>206,500</u> | <u>9,867</u> | <u>(196,633)</u> |
| Total | <u>\$ 206,720</u> | <u>\$ 9,867</u> | <u>\$ (196,853)</u> |

| | <u>Net (Expense)/Revenue</u> | | |
|--------------------------------------|------------------------------------|-------------------------------------|---------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| Changes in Net Position: | | | |
| Net (expense)/revenue | <u>\$ (220)</u> | <u>\$ (196,633)</u> | <u>\$ (196,853)</u> |
| General revenues: | | | |
| Miscellaneous income | - | 111,075 | 111,075 |
| Investment income | 8 | 52 | 60 |
| Administrative fees | - | (273,000) | (273,000) |
| Transfer from beneficiary | - | 448,880 | 448,880 |
| Transfer to beneficiary | (33,411) | (112,542) | (145,953) |
| Total general revenues and transfers | <u>(33,403)</u> | <u>174,465</u> | <u>141,062</u> |
| Change in net position | (33,623) | (22,168) | (55,791) |
| Net position, beginning | 33,623 | 1,187,711 | 1,221,334 |
| Net position, ending | <u>\$ -</u> | <u>\$ 1,165,543</u> | <u>\$ 1,165,543</u> |

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
 (COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2019**

| | Juvenile Detention Facility Fund |
|---|-------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ - |
| Total assets | \$ - |
| LIABILITIES | |
| Interfund payable | \$ - |
| Total liabilities | - |
| FUND BALANCES | |
| Assigned but available for fund purpose | - |
| Total liabilities and fund balances | \$ - |

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total fund balance - total governmental funds \$ -

Amounts reported for governmental activities in the statement of net position are different because:

Net position of governmental activities \$ -

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

| | Juvenile Detention Facility Fund |
|--|-------------------------------------|
| REVENUES | |
| Rent income | \$ - |
| Investment income | 8 |
| Total revenues | 8 |
| EXPENDITURES | |
| Accounting fees | - |
| Professional fees | 220 |
| Capital outlay | - |
| Total expenditures | 220 |
| Excess (deficiency) of revenues over expenditures | (212) |
| OTHER FINANCING SOURCES (USES) | |
| Transfer to beneficiary | (33,411) |
| Total other financing sources and uses | (33,411) |
| Net change in fund balances | (33,623) |
| Fund balances, beginning | 33,623 |
| Fund balances, ending | \$ - |

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Net change in fund balances - total governmental funds \$ (33,623)

Amounts reported for governmental activities in the statement of activities are different because:

Change in net position of governmental activities \$ (33,623)

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
 (COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2019**

| | CCPFA Operating Fund |
|----------------------------------|----------------------------|
| | |
| ASSETS | |
| Cash and cash equivalents | \$ 60,974 |
| Total current assets | 60,974 |
| Non-current assets | |
| Capital assets: | |
| Land | 1,400,053 |
| Buildings | 4,126,664 |
| Less accumulated depreciation | (586,095) |
| Capital assets, net | 4,940,622 |
| Interfund receivable | - |
| Total non-current assets | 4,940,622 |
| Total assets | 5,001,596 |
| LIABILITIES | |
| Current liabilities | |
| Notes payable, current | 380,000 |
| Other current liabilities | 5,476 |
| Total current liabilities | 385,476 |
| Noncurrent liabilities | |
| Due to related government entity | 230,039 |
| Notes payable, noncurrent | 3,220,538 |
| Total noncurrent liabilities | 3,450,577 |
| Total liabilities | 3,836,053 |
| NET POSITION | |
| Net Investment in capital assets | 1,340,084 |
| Unreserved | (174,541) |
| Total net position | \$ 1,165,543 |

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019**

| | <u>CCPFA Operating Fund</u> |
|---|-------------------------------------|
| OPERATING REVENUES | |
| Rent revenue | \$ 9,867 |
| Total operating revenues | <u>9,867</u> |
| OPERATING EXPENSES | |
| Professional fees | 8,770 |
| Maintenance operations and contractual services | 12,413 |
| Depreciation | <u>101,437</u> |
| Total operating expenses | <u>122,620</u> |
| Operating income | <u>(112,753)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment income | 52 |
| Right of way settlement | 111,075 |
| Interest expense | (83,880) |
| Administrative fees | <u>(273,000)</u> |
| Total nonoperating revenues (expenses) | <u>(245,753)</u> |
| Income before contributions and transfers | <u>(358,506)</u> |
| Debt service transfers from beneficiary | 448,880 |
| Transfers out to beneficiary | <u>(112,542)</u> |
| Change in net position | (22,168) |
| Total net position, beginning | 1,187,711 |
| Total net position, ending | <u>\$ 1,165,543</u> |

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019**

| | CCPFA Operating Fund |
|---|----------------------------|
| Cash flows operating activities: | |
| Cash received from customers | \$ 9,867 |
| Cash payments for goods and services | (21,183) |
| Net cash provided (used) by operating activities | <u>(11,316)</u> |
| Cash flows from noncapital financing activities: | |
| Right of way settlement | 111,075 |
| Transfers to beneficiary of trust | (112,542) |
| Net cash provided (used) by noncapital financing activities | <u>(1,467)</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | (1,273,266) |
| Principal paid on long-term debt | (365,000) |
| Interest paid on long-term debt | (83,880) |
| Bond fees and administration costs | (273,000) |
| Debt service transfers from beneficiary | 448,880 |
| Proceeds from long term debt | 1,546,266 |
| Other liabilities | 268 |
| Net cash provided (used) by capital and related financing activities | <u>268</u> |
| Cash flows from investing activities: | |
| Investment income | 52 |
| Net cash provided (used) by investing activities | <u>52</u> |
| Net increase (decrease) in cash and cash equivalents | (12,463) |
| Cash and cash equivalents, beginning of year | 73,437 |
| Cash and cash equivalents, end of year | <u>\$ 60,974</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ (112,753) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 101,437 |
| Total adjustments | <u>101,437</u> |
| Net cash provided by operating activities | <u>\$ (11,316)</u> |

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

3801. Organization and Significant Financial Events

The Canadian County Public Facilities Authority (the "Authority") is a public trust created by a Declaration of Trust dated December 18, 1984. The Authority's primary purpose is to serve as a vehicle for financing the purchase or construction of buildings or other facilities which are to be used directly or indirectly by Canadian County, Oklahoma.

The Authority is a component unit of Canadian County, Oklahoma and is managed by a board of trustees, which according to the trust indenture, shall be the Board of Commissioners of Canadian County, Oklahoma, the beneficiary of the trust.

On December 30, 1985 the Authority obtained financing to construct a building in El Reno, Oklahoma to be occupied by the Department of Human Services of Oklahoma in accordance with a lease agreement dated December 1, 1985. The Department of Human Services of Oklahoma later fulfilled their lease obligation by paying off the note on the building and at that time, in accordance with the lease agreement, title to the building was transferred to Canadian County, Oklahoma.

On December 1, 1988, the Authority obtained financing to purchase a building in El Reno, Oklahoma. This property was occupied by the Canadian County Health Department in accordance with a lease agreement dated December 1, 1988. The Canadian County Health Department later fulfilled their lease obligation by paying off their proportionate share of the note on the building, and on February 1, 2002, signed a new lease in order to occupy the "Gold Bank" property purchased by the Authority. Title to the property was transferred to Canadian County, Oklahoma during fiscal year 2013.

On October 3, 1991, the Authority obtained financing to purchase properties in Yukon and El Reno, Oklahoma. The property in Yukon is occupied by the Canadian County Health Department. The Health Department fulfilled their financial obligation on the lease on April 22, 1999 by paying off their proportionate share of the indebtedness related to the purchase of the property. The Authority transferred the property to Canadian County in August, 2015.

On August 27, 1996, the voters of Canadian County, Oklahoma passed a .35 cent sales tax to be used for the construction, operation and maintenance of juvenile detention facilities.

On December 18, 1996, the Trustees of the Authority passed a resolution authorizing the Authority to issue indebtedness for the purpose of constructing juvenile detention facilities.

On September 4, 1997, Trustees of the Authority ratified an "Order to Pay" \$350,000 from sales tax proceeds for the purchase of 186 acres near Banner, Oklahoma in eastern Canadian County. This land was used as a site for the construction of the juvenile detention facilities.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

1. Organization and Significant Financial Events (continued)

On February 1, 2000, the Authority issued \$3.185 million of Public Facilities Revenue Bonds, Series 2000 to refund a March 11, 1997 note and create permanent financing for the construction of the juvenile detention facility. These bonds were subsequently refunded on December 1, 2002.

On September 21, 2001, the Trustees of the Authority passed a resolution authorizing the Authority to issue indebtedness for the purpose of acquiring and renovating public buildings suitable to house and provide facilities for the Canadian County Health Department, the Authority, and other government entities of Canadian County (the “County Health Department and Public Usage Buildings Project”). The Authority issued a promissory note in the amount of \$730,000 to a bank on October 3, 2001, and at that time obtained title to the building formerly known as the “Gold Bank Building”. This note was subsequently repaid.

On December 1, 2002, the Authority issued \$5.675 million of Public Facilities Revenue Bonds, Series 2002 to refund Public Facilities Revenue Bonds, Series 2000 and to finance the construction of an expansion of the juvenile detention facility.

On December 30, 2011 the Authority issued a promissory note to bank in the amount of \$4.05 million to finance the construction of a new county jail for Canadian County.

In August, 2012, the Authority issued a note to a bank in the amount of \$425,000 to finance the purchase of land and the construction of a district building for Canadian County, Oklahoma.

In November, 2012, the Authority issued a note to a bank in the amount of \$750,000 to finance improvements to Canadian County Health Department facilities.

In December 2012, the Authority redeemed the \$5.675 million of Public Facilities Revenue Bonds, Series 2002.

During the year ended June 30, 2013, the Authority transferred several parcels of land and two buildings with a net book value of \$741,288 to Canadian County, Oklahoma, the beneficiary of the Trust.

During the year ended June 30, 2014, the Authority transferred several parcels of land and a building all with a net book value of \$337,903 to Canadian County, Oklahoma, the beneficiary of the Trust.

During the year ended June 30, 2016, the Authority transferred several parcels buildings with a net book value of \$504,316 to Canadian County, Oklahoma, the beneficiary of the Trust.

During the year ended June 30, 2017, the Authority transferred land and the Juvenile Justice building all with a net book value of \$6,139,244 to Canadian County, Oklahoma, the beneficiary of the Trust.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

1. Organization and Significant Financial Events (continued)

During the year ended June 30, 2018, the Authority transferred land and a building with a net book value of \$387,723 to Canadian County, Oklahoma, the beneficiary of the Trust.

During the year ended June 30, 2019, the Authority issued Canadian County Public Facilities Authority Use Tax Revenue Note, Series 2018 to purchase and development new county fairgrounds. The Authority purchased the land for the fairgrounds. The Authority transferred remaining cash in the Authority's only governmental fund, the Juvenile Detention Facility Fund.

2. Summary of Significant Accounting Policies

Accounting estimates: Accrual accounting was used to prepare these financial statements. Financial statement preparation requires the Authority's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies as of the date of these financial statements and reported amounts of revenues and expenses for the period of these financial statements. Actual results could differ from these estimates.

Cash and cash equivalents: The Authority's cash and cash equivalents are considered demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Capital assets: Property and equipment are recorded at cost. Depreciation of buildings is computed using the straight-line method over an estimated useful life of thirty years. Furniture and equipment is depreciated using the straight-line method over an estimated useful life ranging from five to fifteen years.

Classification of Revenues: The Authority has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as rent payments and maintenance fees made to the Authority.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary Fund Accounting*, and GASB No. 34, such as investment income.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

2. Summary of Significant Accounting Policies (continued)

The Governmental Accounting Standards Board (GASB) establishes the hierarchy of reporting for generally accepted accounting principles of governmental entities. GASB recognizes GASB Statements and GASB Technical Bulletins as accounting principles generally accepted for governmental entities. When specific guidance is not available in these pronouncements, GASB recognizes other non-authoritative accounting literature (not specifically cleared by GASB) such as GASB Concept Statements, Statements of the Financial Accounting Standards Board (FASB), AICPA literature and other relevant accounting guidance.

2a. Basis of Presentation

The Authority's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*. Under GASB Statement No. 34, the presentation is as follows:

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

The funds of the financial reporting entity are described below:

Governmental Funds

Major -

The Juvenile Detention Facility Fund is a special revenue fund that derives revenues through sales taxes, which are used to a) repay the debt issued to construct the Canadian County Juvenile Detention Facility, and to b) fund the current operating expenses of the facility.

Proprietary Fund

Proprietary Fund Types are used to account for operations of the Authority's organizations and activities which are similar to those often found in private business enterprises. The following is a description of Proprietary Fund Types;

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

2a. Basis of Presentation (continued)

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues received, disbursements made, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Major -

Canadian County Public Facilities Authority Operating Fund – This operating fund derives revenues from building rents and maintenance fees. This revenue is used to repay debt on buildings and for maintenance and other expenses.

2b. Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

3. Deposits and Investments

Custodial Credit Risk

At June 30, 2019, the Authority held deposits of approximately \$61,000 at one bank. The Authority is responsible for monitoring and the bank obliged by state law to pledge bank securities that, when combined with Federal Deposit Insurance Corporation insurance of \$250,000, have value equal or exceeding the amount of the Authority's deposits in the bank. The Authority represents that all deposits in the bank were adequately secured at June 30, 2019.

Investment Interest Rate Risk

The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The County has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

Concentration of Investment Credit Risk

The County places no limit on the amount it may invest in any one issuer.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

4. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

| | <u>July 1, 2018</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2019</u> |
|--|---------------------|---------------------|------------------|----------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 126,787 | \$ 1,273,266 | \$ - | \$ 1,400,053 |
| Construction-in-progress | - | - | - | - |
| Other assets | | | | |
| Buildings | 4,126,664 | - | - | 4,126,664 |
| Less accumulated depreciation | (484,658) | (101,437) | - | (586,095) |
| Business-type activities capital assets, net | <u>\$ 3,768,793</u> | <u>\$ 1,171,829</u> | <u>\$ -</u> | <u>\$ 4,940,622</u> |

Depreciation expense was charged as a direct expense to the following functions of the primary government as follows:

| | |
|----------------------------------|-------------------|
| <i>Business-type activities:</i> | |
| Rental activities | \$ 101,437 |
| Total depreciation expense | <u>\$ 101,437</u> |

5. Long-term Debt

Transactions for the year ended June 30, 2019 are as follows:

| | <u>Balance 7/1/2018</u> | <u>Additions</u> | <u>(Reductions)</u> | <u>Balance 6/30/2019</u> | <u>Current Portion</u> |
|---------------------------------|-----------------------------|---------------------|---------------------|------------------------------|----------------------------|
| <u>Business-Type Activities</u> | | | | | |
| Revenue notes payable: | | | | | |
| County jail project | \$ 2,419,272 | \$ - | \$ (365,000) | \$ 2,054,272 | \$ 380,000 |
| County fairgrounds project | - | 1,546,266 | - | 1,546,266 | - |
| Total | <u>\$ 3,660,992</u> | <u>\$ 1,546,266</u> | <u>\$ (365,000)</u> | <u>\$ 3,600,538</u> | <u>\$ 380,000</u> |

Promissory and Revenue Notes Payable

\$4.050 million Canadian County Public Facilities Authority Promissory Note, Series 2011 issued December 1, 2011 to a bank. Proceeds were used to finance the construction of a county jail. The Authority originally drew \$3,759,274 on the note. Interest on the note is 3.75% and principal and interest on the note are being paid by the beneficiary of the trust, Canadian County.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

5. Long-term Debt (continued)

The note is secured by the facilities being constructed (land and building). Principal payments on the note are due as follows:

| | | | |
|-----------------|---------|-----------------|---------|
| January 1. 2020 | 380,000 | January 1. 2022 | 410,000 |
| January 1. 2021 | 395,000 | January 1. 2023 | 425,000 |
| | | January 1. 2024 | 444,273 |

On December 27, 2018, the Authority issued \$10 million Canadian County Public Facilities Authority Use Tax Revenue Note, Series 2018 for the purchase of land and related development of the new Canadian County Fairgrounds. This Note has a variable interest rate with an initial rate of 3.5%. The interest rate is recalculated every five years. The final maturity date of the Note is January 1, 2041. The principal and interest on the note will be paid by the beneficiary of the trust, Canadian County. The balance drawn on the note was \$1,573,266 at June 30, 2019.

| <u>Year</u> | <u>Principal due</u> |
|-------------|----------------------|
| 2020 | \$ - |
| 2021 | 170,000 |
| 2022 | 345,000 |
| 2023 | 360,000 |
| 2024 | 370,000 |
| 2025-2029 | 2,065,000 |
| 2030-2034 | 2,450,000 |
| 2035-2039 | 2,925,000 |
| 2040-2041 | <u>1,315,000</u> |
| | \$ 10,000,000 |

6. Lease Agreements

Canadian County Office Lease

The Authority entered in to a lease with lessee State of Oklahoma, on behalf of the Oklahoma Department of Transportation, in connection with a district county office space owned by the Authority. The agreement calls for monthly payments of \$700. Operating and maintenance costs are the responsibility of the Authority as lessor.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
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NOTES TO COMBINED FINANCIAL STATEMENTS
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8. Related Party Transactions and Balance Owed

In 1998 and 1999 the Authority received advances from a related public trust, Canadian County Home Finance Authority (“Home Finance”) to renovate property known as the old Mistletoe Building. These advances totaled \$98,839.

By December, 2012 the Authority had repaid Home Finance all but \$5,039 of the \$98,839 balance owed. The Authority then borrowed an additional \$75,000 in December 2012 and \$150,000 in June 2013 from Home Finance to assist with purchasing and improving other public purpose property. A borrowing resolution was passed by the Board of Trustees of both entities in support of these advances.

The unpaid balance plus the additional 2012 and 2013 borrowings leave a balance owed to Home Finance of \$230,039. No formal loan agreement was ever approved and repayment terms were never set.

9. Subsequent Events

Subsequent to the year ended June 30, 2019, the Authority issued an additional Use Tax Revenue Note Series 2019 for \$3.5 million for potential additional costs related to the Fairgrounds project.



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

To the Board of Trustees
Canadian County Public Facilities Authority

We have audited the financial statements of the Canadian County Public Facilities Authority as of and for the year ended June 30, 2019, and have issued our report thereon dated August 7, 2020. We have conducted our 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. The Trust 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, we considered Canadian County Public Facilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Canadian County Public Facilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Canadian County Public Facilities Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Canadian County Public Facilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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*.

This report is intended solely for the information and use of the board of trustees, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

HBC CPAs & Advisors

August 7, 2020