

POTTAWATOMIE COUNTY
FACILITIES AUTHORITY

Financial Statements
For the Year Ended December 31, 2019

Table of Contents

	<u>Page No.</u>
Independent Auditor's Report	1
The Basic Financial Statements:	
Statement of Net Position	4
Statement of Revenues, Expenses, and Changes in Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7
<u>SUPPLEMENTAL INFORMATION</u>	
Supplemental Combining Schedule of Net Position	17
Supplemental Combining Schedule of Revenues, Expenses, and Change In Net Position	18
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 <i>Government Auditing Standards</i>	19

ROBERT D. TURNER C.P.A.

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

INDEPENDENT AUDITOR'S REPORT

To the Trustees of
Pottawatomie County Facilities Authority
Shawnee, Oklahoma

Report on Financial Statement

I have audited the accompanying statement of net position of the Pottawatomie County Facilities Authority (a component unit of Pottawatomie County) as of December 31, 2019 and the related statements of revenues, expenses and changes in net position, cash flows and the related notes to the financial statements for the year then ended comprising the basic financial statements of the component unit.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

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, 2019 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 June 12, 2020 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
June 12, 2020

POTTWATOMIE COUNTY FACILITIES AUTHORITY

Statement of Net Position
December 31, 2019

	Total
Current Assets	
Cash and Cash Equivalents	\$ 6,799,894
Notes Receivable	5,311,604
Total Current Assets	<u>12,111,498</u>
Non Current Assets	
Notes Receivable	43,680,395
Bond Issuance Cost	1,919,222
Amortization of Bond Cost	(356,633)
Construction Projects	<u>43,600,549</u>
Total Non Current Assets	<u>88,843,533</u>
Total Assets	<u><u>\$ 100,955,031</u></u>
Current Liabilities	
Bond Payable	\$ 5,311,604
Accrued Interest Payable	647,701
Bond Premium	<u>383,600</u>
Total Current Liabilities	<u>6,342,905</u>
Non Current Liabilities	
Bonds Payable	43,680,395
Total Non Current Liabilities	<u>43,680,395</u>
Total Liabilities	50,023,300
Total Net Position	<u><u>\$ 50,931,731</u></u>

See Notes to Financial Statements.

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ending December 31, 2019

	<u>Total</u>
Operating Revenues	
Rental Income	\$ 1,691,458
Acquisition Payment	<u>3,682,752</u>
Total Operating Revenues	5,374,210
Operating Expenses	
Amortization Expense	194,014
Funds Paid to Schools	
Interest Expense	1,463,279
Other Fees	29,572
Trustee Fees	<u>6,000</u>
Total Operating Expenses	1,692,865
Operating Income (Loss)	3,681,345
Non Operating Revenues	
Interest Income	296,027
Bonds Paid	(4,282,930)
Bond Proceeds	<u>7,500,000</u>
Total Non Operating Revenues	3,513,097
Change in Net Position	<u>7,194,442</u>
Net Position, Beginning of Year	43,737,289
Net Position, End of Year	<u><u>\$ 50,931,731</u></u>

See Notes to Financial Statements.

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Statement of Cash Flows
For the Year Ended Decembr 31, 2019

Cash Flows From Operating Activities:	
Operating Revenues	\$ 5,374,210
Payment to Vendors and Schools	(35,572)
Bond Interest Paid	(1,368,074)
Net Cash Provided (Used) Operating Activities	<u>3,970,564</u>
Cash Flows From Capital and Related Financing Activity:	
Bond Proceeds	7,500,000
Bond Principle Paid	(4,282,930)
Notes Receivable	(3,536,891)
Bond Issuance Cost	(212,353)
Contruccion Projects	(19,343,688)
Bonds Payable	<u>3,536,891</u>
Net Cash Provided by (Used) Capital and Related Financing Activities	<u>(16,338,971)</u>
Cash Flows from Investing Activities:	
Interest Income	296,027
Net Cash Provided by (Used) From Investing Activity	<u>296,027</u>
Net Increase (Decrease) in Cash	(12,072,380)
Cash Balance - Beginning of the Year	<u>18,872,274</u>
Cash Balance - End of the Year	<u>6,799,894</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)	3,681,345
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization Expense	194,014
Change in Assets and Liabilities:	
Increase Accrued Interest Payable	<u>95,205</u>
Net Cash Provided(Used) by Operating Activities	<u>\$ 3,970,564</u>

See 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:

Tecumseh Public Schools Series 2016

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL PAYMENT</u>
2020	\$ 1,120,000	\$ 332,900	\$ 1,452,900
2021	570,000	311,200	881,200
2022	595,000	288,400	883,400
2023	625,000	264,600	889,600
2024	645,000	239,600	884,600
2025	675,000	213,800	888,800
2026	705,000	186,800	891,800
2027	730,000	158,600	888,600
2028	765,000	129,400	894,400
2029	790,000	98,800	888,800
2030	830,000	67,200	897,200
2031	850,000	34,000	884,000
TOTAL	<u>\$ 8,900,000</u>	<u>\$ 2,325,300</u>	<u>\$ 11,225,300</u>

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Notes to Financial Statements

Note 4 - Notes Receivable Cont'd

Dale Public Schools Series 2017

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL PAYMENT</u>
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>\$ 7,074,000</u>	<u>\$ 1,672,830</u>	<u>\$ 8,746,830</u>

North Rock Creek Public Schools Series 2017

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL PAYMENT</u>
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	<u>\$ 15,216,000</u>	<u>\$ 2,358,657</u>	<u>\$ 17,574,657</u>

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Notes to Financial Statements

Note 4 - Notes Receivable Cont'd

Shawnee Public Schools Series 2018

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTERST</u>	<u>TOTAL PAYMENT</u>
2020	\$ 481,816	\$ 122,268	\$ 604,084
2021	500,197	103,886	604,083
2022	519,281	84,803	604,084
2023	539,092	64,992	604,084
2024	559,659	44,425	604,084
2025	581,011	23,073	604,084
2026	298,764	3,277	302,041
TOTAL	\$ 3,479,820	\$ 446,724	\$ 3,926,544

McCloud Public Schools 2018

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL PAYMENT</u>
2020	\$ 485,000	\$ 254,436	\$ 739,436
2021	536,000	233,581	769,581
2022	569,000	210,963	779,963
2023	600,000	189,448	789,448
2024	651,000	168,708	819,708
2025	693,000	146,574	839,574
2026	736,000	123,012	859,012
2027	2,882,000	97,988	2,979,988
TOTAL	\$ 7,152,000	\$ 1,424,710	\$ 8,576,710

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Notes to Financial Statements

Note 4 - Notes Receivable Cont'd

North Rock Creek Series 2019

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL PAYMENT</u>
2020	\$ 1,220,205	\$ 52,440	\$ 1,272,645
2021	78,325	17,195	95,520
2022	81,638	13,882	95,520
2023	85,091	10,429	95,520
2024	88,690	6,830	95,520
2025	92,442	3,078	95,520
2026	23,788	165	23,953
TOTAL	\$ 1,670,179	\$ 104,019	\$ 1,774,198

Gordon Cooper Technology Center Series 2019

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL PAYMENT</u>
2020	\$ 432,583	\$ 231,917	\$ 664,500
2021	489,674	174,826	664,500
2022	506,568	157,932	664,500
2023	524,044	140,456	664,500
2024	542,124	122,376	664,500
2025	560,827	103,673	664,500
2026	580,176	84,324	664,500
2027	600,191	64,308	664,499
2028	620,899	43,601	664,500
2029	642,914	22,180	665,094
TOTAL	\$ 5,500,000	\$ 1,145,593	\$ 6,645,593

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Notes to Financial Statements

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, 2019.

YEAR	Tecumseh Series 2016	Dale Series 2017	North Rock Creek Series 2017	McCloud Series 2018	Shawnee Series 2018	North Rock Creek Series 2019	Gordon Cooper Technology Ctr. Series 2018	TOTAL
2020	\$ 120,000	\$ 362,000	\$ 1,210,000	\$ 485,000	\$ 481,816	\$ 1,220,205	\$ 432,583	\$ 2,658,816
2021	570,000	388,000	1,319,000	536,000	500,197	78,325	489,674	3,313,197
2022	595,000	414,000	1,408,000	569,000	519,281	81,638	506,568	3,505,281
2023	625,000	447,000	1,532,000	600,000	539,092	85,091	524,044	3,743,092
2024	645,000	475,000	1,740,000	651,000	559,659	88,690	542,124	4,070,659
2025	675,000	499,000	1,840,000	693,000	581,011	92,442	560,827	4,288,011
2026	705,000	524,000	1,943,000	736,000	298,764	23,788	580,176	4,206,764
2027	730,000	555,000	4,224,000	2,882,000			600,191	8,391,000
2028	765,000	587,000					620,899	1,352,000
2029	790,000	624,000					642,914	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	\$ 7,900,000	\$ 7,074,000	\$ 15,216,000	\$ 7,152,000	\$ 3,479,820	\$ 1,670,179	\$ 5,500,000	\$ 40,821,820

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 – 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.

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

**Supplemental Combining Schedule of Net Position
December 31, 2019**

	<u>Tecumseh Public Schools Series 2016</u>	<u>Dale Public Schools Series 2017</u>	<u>North Rock Creek Schools Series 2017</u>	<u>McCloud Schools Series 2018</u>	<u>Shawnee Schools Series 2018</u>	<u>North Rock Creek Schools Series 2019</u>	<u>Gordon Cooper Technology Ctr. Series 2019</u>	<u>Authority's General Fund</u>	<u>Total</u>
Current Assets									
Cash and Cash Equivalents	\$ 148,882	\$ 168	\$ 2,269,506	\$ 698,205	\$ 346,396	\$ 740,808	\$ 2,585,921	\$ 10,008	\$ 6,799,894
Notes Receivable	1,120,000	362,000	1,210,000	485,000	481,816	1,220,205	432,583		5,311,604
Total Current Assets	1,268,882	362,168	3,479,506	1,183,205	828,212	1,961,013	3,018,504	10,008	12,111,498
Non Current Assets									
Notes Receivable	7,780,000	6,712,000	14,006,000	6,667,000	2,998,004	449,974	5,067,417		43,680,395
Bond Issuance Cost	257,719	361,319	658,444	327,748	101,639	50,339	162,014		1,919,222
Amortization of Bond Cost	(58,927)	(56,778)	(159,790)	(40,969)	(17,676)	(6,292)	(16,201)		(356,633)
Construction Projects	8,359,511	6,898,387	13,281,640	6,839,159	3,928,562	1,478,600	2,814,690		43,600,549
Total Non Current Assets	16,338,303	13,914,928	27,786,294	13,792,938	7,010,529	1,972,621	8,027,920		88,843,533
Total Assets	\$ 17,607,185	\$ 14,277,096	\$ 31,265,800	\$ 14,976,143	\$ 7,838,741	\$ 3,933,634	\$ 11,046,424	\$ 10,008	\$ 100,955,031
Current Liabilities									
Bond Payable	\$ 1,120,000	\$ 362,000	\$ 1,210,000	\$ 485,000	\$ 481,816	\$ 1,220,205	\$ 432,583		\$ 5,311,604
Accrued Interest Payable	277,417	150,323	36,759	10,602	5,437	2,888	164,275		647,701
Bond Premium	383,600								383,600
Total Current Liabilities	1,781,017	512,323	1,246,759	495,602	487,253	1,223,093	596,858		6,342,905
Non Current Liabilities									
Bonds Payable	7,780,000	6,712,000	14,006,000	6,667,000	2,998,004	449,974	5,067,417		43,680,395
Total Non Current Liabilities	7,780,000	6,712,000	14,006,000	6,667,000	2,998,004	449,974	5,067,417		43,680,395
Total Liabilities	9,561,017	7,224,323	15,252,759	7,162,602	3,485,257	1,673,067	5,664,275		50,023,300
Total Net Position	\$ 8,046,168	\$ 7,052,773	\$ 16,013,041	\$ 7,813,541	\$ 4,353,484	\$ 2,260,567	\$ 5,382,149	\$ 10,008	\$ 50,931,731

POTTAWATOMIE COUNTY FACILITIES AUTHORITY

Supplemental Combining Schedule of Revenues, Expenses and Change in Net Position
For the Year Ending December 31, 2019

	Bethel Public Schools Series 2008	Tecumseh Public Schools Series 2016	Dale Public Schools Series 2017	North Rock Creek Schools Series 2017	McCloud Schools Series 2018	Shawnee Schools Series 2018	North Rock Creek Schools Series 2019	Gordon Cooper Technology Ctr. Series 2019	Authority General Fund	Total
Operating Revenues										
Rental Income		\$ 37,500	\$ 258,510		\$ 719,479	\$ 601,683	\$ 74,286			\$ 1,691,458
Acquisition Payment	\$ 1,029,300	846,150		\$ 1,230,507			576,795			3,682,752
Total Operating Revenues	1,029,300	883,650	258,510	1,230,507	719,479	601,683	651,081			5,374,210
Operating Expenses										
Amortization Expense	10,182	17,181	24,088	65,844	40,969	13,257	6,292	16,201		194,014
Funds Paid to Schools										
Interest Expense	32,686	327,814	212,614	461,653	70,981	125,678	67,578	164,275		1,463,279
Other Fees	4,647	5,325							19,600	29,572
Trustee Fees		3,500					2,500			6,000
Total Operating Expenses	47,515	353,820	236,702	527,497	111,950	138,935	76,370	180,476	19,600	1,692,865
Operating Income (Loss)	981,785	529,830	21,808	703,010	607,529	462,748	574,711	(180,476)	(19,600)	3,681,345
Non Operating Revenues										
Interest Income	20,660	11,222	10,287	89,348	65,543	13,003	17,677	68,125	162	296,027
Bonds Paid	(1,480,000)	(545,000)	(45,000)	(767,000)	(652,000)	(464,109)	(329,821)			(4,282,930)
Bond Proceeds							2,000,000	5,500,000		7,500,000
Total Non Operating Revenues	(1,459,340)	(533,778)	(34,713)	(677,652)	(586,457)	(451,106)	1,687,856	5,568,125	162	3,513,097
Transfer to General Fund	(962)	(3,550)			(7,100)		(2,000)	(5,500)	19,112	
Change in Net Position	(478,517)	(7,498)	(12,905)	25,358	13,972	11,642	2,260,567	5,382,149	(326)	7,194,442
Net Position, Beginning of Year	478,517	8,053,666	7,065,678	15,987,683	7,799,569	4,341,842			10,334	43,737,289
Net Position, End of Year	\$ -	\$ 8,046,168	\$ 7,052,773	\$ 16,013,041	\$ 7,813,541	\$ 4,353,484	\$ 2,260,567	\$ 5,382,149	\$ 10,008	\$ 50,931,731

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, 2019 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 June 12, 2020.

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.
June 12, 2020