ROGERS COUNTY PUBLIC FACILITIES AUTHORITY

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

TABLE OF CONTENTS

DAVID CLANIN CPA

PO BOX 1854. CLAREMORE, OK 74018

918-519-8336 PHONE 918-512-4646 FAX

DAVID@CLANINCPA.COM

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rogers County Public Facilities Authority
Claremore, Ok

We have audited the accompanying financial statements of the business-type activities of Rogers County Public Facilities Authority, County of Rogers, State of Oklahoma as of December 31, 2017, 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 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 opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rogers County Public Facilities Authority, County of Rogers, State of Oklahoma as of December 31, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management discussion and analysis and budgetary comparison information 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, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Rogers County Public Facilities Authority and do not purport to, and do not present fairly the financial position of Rogers County, State of Oklahoma, as of December 31, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2018, on our consideration of the Rogers County Public Facilities 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.

Sincerely,

David Clanin, CPA

DAVID CLANIN, CPA
CLAREMORE, OKLAHOMA
June 30, 2018

STATEMENT OF NET POSITION

DECEMBER 31, 2017

Assets	
Current Assets	
Cash and cash equivalents	$ 16,836
Inventory	29,138
Total Current Assets	45,974
Capital Assets	
Property and equipment - net of accumulated depreciation	687,236
Total Assets	733,210
Liabilities and Net Position	
Current Liabilities	
Accounts payable	12,678
Accrued payroll	2,739
Accrued interest payable	1,338
Prepaid annual fees	15,154
Line of credit	33,000
Lease payable	13,565
Current portion of note payable	16,602
Total Current Liabilities	95,076
Non-current Liabilities	
Notes payable, net of current portion	374,807
Total Non-Current Liabilities	374,807
Total Liabilities	469,883
Net Position	
Net investment in capital assets	282,262
Unrestricted	(18,935)
Total Net Position	263,327

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

DECEMBER 31, 2017

Operating Revenues		
Golf course income	$	458,580
Annual fees		73,310
Golf shop sales, $116,817 net of cost of goods of $70,722		46,095
Concession and vending, $84,210 net of cost of		
of goods sold of $43,015		41,195
Other revenues		592
Total Operating Revenues		619,772
Operating Expenses		
Payroll, Payroll Taxes and Benefits		315,139
Depreciation		46,705
Insurance		28,494
Operating leases		64,859
Utilities		71,290
Chemicals and fertilizer		36,510
Fuel, oil and grease		12,069
Repairs and Maintenance		26,132
Course supplies		22,626
Merchant and bank charges		11,122
Professional fees		8,430
Supplies		9,327
Cart and range expenses		2,864
Miscellaneous		8,954
Total Operating Expenses		664,521
Operating Income (Loss)		(44,749)
Non-Operating Revenues (Expenses)		
Contributions		19,630
Grants from Other Governments		50,000
Interest Income		44
Interest expense		(24,764)
Total Non-Operating Revenues (Expenses)		44,910
Change in Net Position		161
Net Position, Beginning of Year		263,166
Net Position, End of Year	$	263,327

The accompanying notes are an integral part of these financial statements.

Cash Flow From Operating Activities:	
Receipts from customers	$ 727,319
Payments to employees, benefits and payroll taxes	(314,359)
Payments to suppliers for goods and services	(427,970)
Net Cash Provided (Used) By Operating Activities	**(15,010)**
Cash Flows from Non-Capital Financing Activities	
Grants from other governments	50,000
Contributions received	19,630
Net Cash Provided (Used) by Non-Capital Financing Activities	**69,630**
Cash Flows From Capital and Related Financing Activities	
Interest paid on long-term debt	(23,955)
Principal payments on long term debt	(15,756)
Payments on capital leases	(8,555)
Payments on line of credit	(27,300)
Purchases of fixed assets	(20,181)
Net Cash Provided (Used) by Capital and Related Financing Activities	**(95,747)**
Cash Flows From Investing Activities	
Interest on Investments	44
Net Increase (decrease) in Cash and Cash Equivalents	(41,083)
Cash and Cash Equivalents- Beginning	57,919
Cash and Cash Equivalents- Ending	**$ 16,836**
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activites	
Operating Income (Loss)	$ (44,749)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation/Amortization	46,705
Changes in Assets and Liabilities	
Increase (Decrease) in payroll taxes and other taxes payable	(780)
Increase (Decrease) in accounts payable	4,518
Increase (Decrease) in accured interest payable	(64)
(Increase) Decrease in inventory	(14,450)
Increase (Decrease) in prepaid annual fees	(6,190)
Net Cash Provided by Operating Activities	**$ (15,010)**

The accompanying notes are an integral part of these financial statements.

Note 1 - Nature of Organization

The Rogers County Public Facilities Authority, formerly known as Rogers State College Trust Authority, a charitable trust for the benefit of Rogers County, Oklahoma, is exempt from taxes under Section 115 of the Internal Revenue Code. The Authority operates an eighteen hole golf course - Heritage Hills Golf Course - located in Claremore, Oklahoma.

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity **-** The Authority complies with GASB Statement No. 14 as amended by GASB No. 61, "The Financial Reporting Entity." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

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

Note 2 - Summary of Significant Accounting Policies (continued)

The proprietary funds utilize 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) associated with their activities are reported. Proprietary fund equity is classified as Net Position.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the RCPFA's enterprise fund is charges to customers for sales and services. The RCPFA also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other amounts. Actual results may differ from those estimates.

The RCPFA adopts annual operations and capital budgets. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The current operating budget details the RCPFA's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend cash basis capital contribution fees, special assessments, grants, borrowings and certain revenues for capital projects.

All unexpensed and unencumbered appropriations in the operating budget lapse at the end of the fiscal year. No appropriation for a capital project in the capital budget lapses until the purpose for which the appropriation was made has been accomplished or abandoned.

The Board of Trustees adopts a budget at the meeting prior to the beginning of the new fiscal year. Actual revenues and expenditures are monitored and compared with the budget during the year. Significant variations from budgeted amounts are researched and the board is informed of the results.

Cash and Cash Equivalents - Cash and cash equivalents, for purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments – The Authority's financial statements include cash and investments. The Authority's estimates of the fair value of all financial instruments do not differ from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Restricted Assets - Restricted assets represent cash, investments and receivables maintained in accordance with bond resolutions, loan agreements, grant awards, and other resolutions and formal actions of the RCPFA or by agreement for the purpose of funding certain debt service payments, depreciation and contingency activities, and improvements to the golf course.

Inventories - Inventories consist of retail items such as golf equipment and apparel for sale at the pro shop. Inventory is stated at cost (first-in, first-out).

Capital Assets – Property and equipment are recorded at cost, if purchased or constructed. Assets acquired through contributions are capitalized at their estimated fair market value at the date of contribution.

Maintenance and repairs, which do not significantly extend the value or life of property and equipment, are expensed as incurred.

Assets are depreciated on the straight-line basis over the estimated useful lives ranging from five to fifty years.

Long Term Obligations - Long-term obligations are reported at face value, net of applicable premiums and discounts.

Net Position - Net Position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net Position is classified in the following three components: invested in capital assets, net of related liabilities; Restricted for capital activity and debt service; and unrestricted Net Position. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from determination. Restricted for capital activity and debt service consists of assets for which constraints are placed by external parties, such as lenders, grantors, contributors, laws, regulations, legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other assets not included in the above categories.

Resource Use Policy - It is Rogers County Public Facilities Authority policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, Rogers County Public Facilities Authority considers restricted amounts to be spent first before any unrestricted amounts are used.

Retirement Plan – the Organization does not currently offer a retirement or pension plan.

Note 3 - Deposits and Investments

Financial instruments that potentially expose the Authority to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited any one institution. The Authority has not experienced any losses on its cash equivalents.

Note 4 - Capital Assets

Capital asset activity during the year was as follows:

	Balance 1/1/2017	Additions	Disposals	Balance 12/31/2017
Land & Improvements	1,481,401	-	-	1,481,401
Buildings	207,497	-	-	207,497
Furniture, Fixtures, & Equipment	308,038	20,181	(12,141)	316,078
Total Property and Equipment	1,996,936	20,181	(12,141)	2,004,976
Accumulated Depreciation	(1,282,495)	(46,705)	11,460	(1,317,740)
Net Property and Equipment	$ 714,441	$ (26,524)	$ (681)	$ 687,236

Note 5 - Compensated Absences

The Authority does not offer compensated absences and is not accrued as a liability in the financial statements.

Note 6 – Prepaid Annual Fees

The Authority entered into various types of agreements for annual green fees. The revenue from these agreements has been deferred, the recognized as income based on equal monthly amortization over the life of each agreement on the straight-line method.

Note 7 - Deposits and Investments

State statutes govern the Organization'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; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The District invests entirely in certificates of deposit.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017, none of the Authority’s investments were exposed to custodial credit-risk because there were uninsured or uncollateralized.

Note 8 - Note Payable, Line of Credit and Capital Lease Obligation

During 2014, the Authority entered into a new loan agreement in the amount of $449,000. The purpose of the loan was to pay off two existing loans as well as purchase new equipment. The initial interest rate of the loan was 4.75% and loan will mature in January 2034. The interest rate of the loan is variable based on the weekly average yield on United States Treasury securities adjusted to a constant maturity of five years. Per the loan agreement, an interest rate change will not occur more often than each five year period.

Security on the loans above consists of all golf course, recreational facilities, improvements, and personal property owned or later acquired by Rogers County Public Facilities Authority.

Estimated minimum principal and interest payments on notes payable are as follows:

Year Ended 12/31	Principal	Interest	Total
2018	$ 16,602	$ 18,985	$ 35,587
2019	17,408	18,216	35,624
2020	18,253	17,411	35,664
2021	19,139	15,679	34,818
2022	20,068	14,750	34,818
Thereafter	299,939	86,325	386,264
Total	$ 391,409	$ 171,366	$ 562,775

During 2016, the Authority entered into a capital lease agreement for the purchase of lawn equipment. The original amount was $26,400 bearing interest at 5.4%. Monthly payments are $1,197 including principal and interest.

Estimated minimum principal and interest payments on capital lease obligation are as follows:

Year Ended 12/31	Principal	Interest	Total
2018	$ 8,971	$ 602	$ 9,573
2019	4,594	137	4,731
Total	$ 13,565	$ 739	$ 14,304

Note 8 - Note Payable, Line of Credit and Capital Lease Obligation, continued

The authority has a line of credit with a local bank. The authority can borrow up to $100,000 at 5%. The balance on the line of credit was $33,000 at December 31, 2017.

Changes in notes payable, capital lease and line of credit were as follows:

	1/1/2017	Advances	Payments	12/31/2017
Capital lease	$ 22,119	$ -	$ (8,554)	$ 13,565
Note payable #8515	407,164	-	(798,573)	(391,409)
Line of Credit	60,300	282	(27,582)	33,000
	$ 594,419	$ 282	$ (939,545)	$ (344,844)

Note 9 – Date of Management Review

Management has evaluated subsequent events through the date of the auditor’s report.

DAVID CLANIN CPA

PO BOX 1854. CLAREMORE, OK 74018

918-519-8336 PHONE 918-512-4646 FAX

DAVID@CLANINCPA.COM

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 the Board of Directors
Rogers County Public Facilities Authority
Claremore, Ok

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 business-type activities of Rogers County Public Facilities Authority, County of Rogers, State of Oklahoma, as of and for the year ended December 31, 2017 and have issued our report thereon dated June 30, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Rogers County Public Facilities Authority, County of Rogers, State of Oklahoma'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 Rogers County Public Facilities Authority, County of Rogers, State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Rogers County Public Facilities Authority, County of Rogers, State of Oklahoma'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 questioned costs that we consider to be material weaknesses. (2017-01, 2017-02).

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Rogers County Public Facilities Authority, County of Rogers, State of Oklahoma's financial statements are free from 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*.

ROGERS COUNTY PUBLIC FACILITIES RESPONSE TO FINDINGS

Rogers County Public Facilities response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rogers County Public Facilities 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.

DAVID CLANIN, CPA
CLAREMORE, OKLAHOMA
June 30, 2018

Reportable Conditions of Internal Control

2017-01 Segregation of Duties

Criteria: The segregation of incompatible financial duties is important to adequately protect the Authority's assets and ensure accurate financial reporting.

Condition: Presently the same individual receiving cash receipts also posts payments and adjustments to subsidiary ledgers. Additionally the same individual prepared cash disbursements and reconciles the bank accounts. The same individual enters cash transactions into the general ledger and maintains the accounting system.

Cause: The Authority's limited resources result in its inability to provide sufficient staffing to fully segregate incompatible duties.

Effect: Without proper segregation of duties, the risk increases that errors and fraud related to the collections and expenditures activities could occur and not be detected within a timely basis.

Recommendation: Effective segregation of duties in a small governmental environment is often difficult; however the governing body and management should be aware of this risk and attempt to exercise as much oversight as feasibly possible.

This is a repeat finding.

Management Response: Management intends to begin requiring 2 signatures on all disbursements and have the bank statements sent directly to a member of the board of directors for review.

2017-02 Internal Controls over Credit Card Purchases

Criteria: An organization should have internal controls over the use of credit cards and the review of credit card transactions.

Condition: The authority does not have a written credit card policy and no review is made of credit card purchases made by the general manager.

Cause: The authority opened the credit card account during 2017 and has not established policies and procedures.

Effect: Without adequate controls over purchasing cards, the risk increases that errors and fraud related to the collections and expenditures activities could occur and not be detected within a timely basis.

Recommendation: The authority should establish formal procedures over credit card transactions. At a minimum, a member of the board should review and approve credit card transactions on a monthly basis.

Management Response: Management will consider the recommendation of the auditor.