

**TAHLEQUAH PUBLIC FACILITIES AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2019**

TAHLEQUAH PUBLIC FACILITIES AUTHORITY

June 30, 2019

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MANAGEMENTS DISCUSSION AND ANALYSIS

**TAHLEQUAH PUBLIC FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

This discussion and analysis of the Tahlequah Public Facilities Authority (Authority) financial statements provides an overview of the Authority's financial activities for the year ended June 30, 2019. Management has prepared the financial statements and related footnote disclosures along with the discussion and analysis.

Financial Highlights

- Net position of the Authority is \$(7,045,111) due to the issuance of bonded indebtedness in the amount of \$24,455,000
- Capital improvement costs made by the City of Tahlequah in the amount of \$2,761,352.
- The Authority's Liabilities and long term debt are \$18,130,150.

Using This Annual Report

The Authority's financial statements consist of three statements – a Statement of Net Position; a Statement of Revenue, Expenses, and Changes in Net Position, and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Authority.

The Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position

Our analysis of the Authority's finances begins on page 5. One of the most important questions asked by the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. The governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

These two statements report the Authority's net position and changes in them. You can think of the Authority's net position – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position is one indicator of whether its financial health is improving or deteriorating.

**TAHLEQUAH PUBLIC FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

The Authority's Net Position

The Authority's net position is the difference between its assets and liabilities reported on the Statement of Net Position on page 5. The Authority's net position in 2019 were \$(7,045,111).

Operating Income and Losses

The first component of the overall change in the Authority's net position is its operating income (gain). The Authority reported an operating gain in 2019 of \$2,420,800.

Non-operating Revenue and Expenses

The total non-operating revenue (expenses) was \$(3,170,101). With the additional revenue (expense), it gives the Authority a total decrease in net position in the amount of \$ (749,302).

Capital Assets

At the end of 2019, the Authority had no capital assets.

Contacting the Authority's Financial Management

This financial statement is designed to provide management, taxpayers and creditors with a general overview of the Authority's finances. If you have questions about this report or need additional information, contact Tahlequah Educational Facilities Authority, 111 S. Cherokee, Tahlequah, Oklahoma, 74464,

AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Tahlequah Public Facilities Authority
Tahlequah, Oklahoma

I have audited the accompanying financial statements of the Tahlequah Public Facilities Authority, a component unit of the City of Tahlequah as of June 30, 2019, which collectively comprise the Authority'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

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 *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 includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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, 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 opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business activity of the Tahlequah Public Facilities Authority, as of June 30, 2019 and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my reported dated December 10, 2019, on my consideration of the Tahlequah Public Facilities Authority internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Tahlequah Public Facilities Authority internal control over financial reporting and compliance.

December 10, 2019



Barry Spyres, CPA

FINANCIAL STATEMENTS

TAHLEQUAH PUBLIC FACILITIES AUTHORITY
STATEMENT OF NET POSITION
June 30, 2019

ASSETS

CURRENT ASSETS

Cash-BancFirst Tahlequah	\$ 26,689	
Cash-Armstrong Bank Tahlequah	2,641,091	
Federal Treasury Obligation Fund - Bond A	505,172	
Federal Treasury Obligation Fund - Bond B	3,179	
Federal Treasury Obligation Fund - Improvement Fund	4,838,051	
Federal Treasury Obligation Fund - Reserve Fund	427,039	
United States Treasury Notes	2,434,523	
Accounts Receivable	209,296	
Total Current Assets		\$ 11,085,039
Total Assets		\$ 11,085,039

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ -	
Current Maturities of Long-Term Debt	1,350,000	
Total Current Liabilities		\$ 1,350,000

LONG-TERM DEBT, NET

Bonds Outstanding-Series A	\$ 8,191,534	
Bonds Outstanding-Series B	8,588,616	
Total Long Term Debt		16,780,150
Total Liabilities		\$ 18,130,150

NET POSITION

Restricted Net Position	\$ (7,045,111)	
Total Net Position		(7,045,111)
Total Liabilities and Net Assets		\$ 11,085,039

The accompanying notes and audit report are a integral part of these financial statements

TAHLEQUAH PUBLIC FACILITIES AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Revenues:

Annual Administrative Fees	\$	19,300
Sales Tax Revenue (.75%) Transferred from COT		2,420,858
Total Operating Income	\$	2,440,158

Expenditures:

Salaries and Wages	\$	8,706
FICA & Medicare Expense		1,052
Bank Fees		4,500
Professional Fees		5,100
Total Operating Expenses	\$	19,358

Operating Income (Loss) **\$ 2,420,800**

Non-Operating Income (Expense):

Dividends	\$	127,397
Interest Income		77,864
Accrued Interest Paid on Investment		(594,711)
City of Tahlequah Capital Expenditures		(2,761,352)
Miscellaneous Costs		-
Annual Administrative Fee to Tahlequah Public Facilities Auth		(19,300)
Total Non-Operating Income (Expense)	\$	(3,170,101)

Change in Net Position **\$ (749,302)**

Net Position, Beginning of Year **(6,295,809)**

Net Position, End of Year **\$ (7,045,111)**

The accompanying notes and audit report are an integral part of these financial statements

**TAHLEQUAH PUBLIC FACILITIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

Cash Flows from Operating Activities

Cash received from Customers	\$ 31,295
Cash transferred from City of Tahlequah	2,413,839
Cash paid to Employees	(9,698)
Cash paid to Suppliers	(13,637)
Net Cash Provided by Operations	<u>\$ 2,421,799</u>

Cash Flows from Financing Activities

Cash Provided by Bond Issue Funds	\$ 2,580,495
Payment of Annual Administrative Fees to Tahlequah Public Facilities	(19,300)
Payment of Interest on Long Term Debt	(594,711)
Principal Paid on Long Term Debt	(1,306,213)
Payment of Miscellaneous Expenses	-
Net Cash Used in Capital and Related Financing Activities	<u>\$ 660,271</u>

Cash Flows from Non Financing Activities

Interest on Investment of Bond Funds	\$ 77,864
Dividends on Investment of Bond Funds	127,397
City of Tahlequah Capital Expenditures	(2,761,352)
	<u>\$ (2,556,090)</u>
Net Increase in Cash and Cash Equivalents	525,980
Beginning Cash and Cash Equivalents	2,141,800
Ending Cash and Cash Equivalents	<u>\$ 2,667,780</u>

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities	
Operating Income (Loss)	\$ 2,420,800
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Decrease in Accounts Payable	\$ (3,977)
Decrease in Accounts Receivable	\$ 4,976
Net Cash Provided by Operating Activities	<u>\$ 2,421,799</u>

The accompanying notes and audit report are a integral part of these financial statements

NOTES

TAHLEQUAH PUBLIC FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1: Description of Reporting Entity and Summary of Significant Accounting Policies

Report Entity

The Tahlequah Public Facilities Authority (the Authority) is a public trust created on February 7th, 2013 under the provisions of Title 60, Oklahoma Statutes 2001, Sections 176 to 180.4, inclusive, as amended and supplemented, the Oklahoma Trust Act, and other applicable laws and statutes of the State of Oklahoma. The City of Tahlequah, Oklahoma, is the beneficiary, and will receive all residual trust funds and assets upon termination of the trust.

The general purposes of this Trust are to assist the Beneficiary, the State of Oklahoma, its governmental agencies, and the private entities, agencies and citizens in making the most efficient use of all of their economic resources and powers in accordance with the needs and benefits of the Beneficiary in order to:

- Lessen the burdens on government and to stimulate public growth and development
- To promote the public well being of the Beneficiary by improving available resources, increasing meaningful job opportunities, promoting entrepreneurship and capital investment, while maintaining the Beneficiary's quality of life.
- Inventory the public services, facilities and resources of the entire Beneficiary
- Promote, stimulate, encourage and finance the growth and development of education of the Beneficiary as a whole, all in order to achieve maximum utilization of the Beneficiary's human, economic, recreational, natural resources and tourist attractions
- Foster and promote the Beneficiary and to otherwise promote its general economic welfare and prosperity, and to finance any and all programs, facilities or resources promoting or intending to promote any of the foregoing.

The Authority is considered a component unit of the City of Tahlequah, and its financial information is included in the General Purpose Financial Statements of the City of Tahlequah each year.

The Trustees of this Trust shall be the Mayor and the four members of the City Council of the Beneficiary, such City Council being the governing Board of the City of Tahlequah and hereafter called "Governing Board"

The Mayor of the City shall serve as the Chairman of the Trustees and shall preside at all meetings.

Proprietary Fund Accounting

The Authority uses the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. The governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

TAHLEQUAH PUBLIC FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets, business interruption; errors and omissions, employee injuries and illnesses, and natural disasters. To cover exposure of these risks, the Authority is listed as an Additional Named Plan Member on the City of Tahlequah's municipal liability protection plan. The Authority does not carry insurance separately under its own name. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Cash Equivalents

The Authority considers all liquid investments which have original maturities of three months or less to be cash equivalents.

Property and Equipment

The Authority has no property or equipment as of June 30, 2019.

Income Taxes

The Authority is exempt from federal income taxes under Section 115 of the Internal Revenue Code as a political subdivision of the State of Oklahoma and is exempt from state income taxes under a similar provision of Oklahoma State Statutes.

Budgets

Under Title 60, Section 176(g) Public Trusts created pursuant to this section shall file annually, with their respective Beneficiaries copies of financial documents and reports sufficient to demonstrate the fiscal activity of such trust, including, but not limited to, budgets, financial reports, bond indentures and audits. Amendments to the adopted budget shall be approved by the trustees of the public trust and recorded as such in the official's minutes of such trust.

Note 2: Cash and Investments

The Authority operated two checking accounts. BancFirst and Armstrong Bank, both located in Tahlequah, Oklahoma. The account at BancFirst bank pays no interest on account balances and Armstrong Bank pays .5% interest on account balance. As of June 30, 2019 the bank balance at BancFirst was \$26,689 and Armstrong Bank was \$2,641,091.

TAHLEQUAH PUBLIC FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Bond Funds are held in accounts at BancFirst, Oklahoma City, Oklahoma. The following accounts were established according to the Bond Indenture:

- Improvement Fund - Account Number 80-0265-04-3 with a balance on June 30, 2019 of \$4,838,051 in Federated Treasury Obligations Series Class #398
- Debt Service Fund (Series A) – Account Number 80-0265-01-9 with a balance on June 30, 2019 of \$505,172 in Federated Treasury Obligations Series Class #398
- Debt Service Fund (Series B) – Account Number 80-0265-02-7 with a balance on June 30, 2019 of \$3,179 in Federated Treasury Obligations Series Class #398
- Reserve – Account Number 80-0265-03-5 with a balance on June 30, 2019 of \$427,039 in Federated Treasury Obligations Series Class #398 and \$2,434,523 in US Treasury Notes dated 02/15/2013

Deposits

The Authority's cash deposits as of June 30, 2019, are categorized to give an indication of the level of risk assumed by the Authority at year end as follows:

Deposit Categories of Credit Risk

- A. Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.
- B. Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- C. Uncollateralized

	(A)	Category (B)	(C)	Bank Balance	Carrying Amount	Market Value
BancFirst, Tahlequah	\$ 26,689	\$ -	\$ -	\$ 26,689	\$ 26,689	\$ 26,689
Armstrong Bank, Tahlequah	2,641,091	-	-	2,641,091	2,641,091	2,641,091
BancFirst, OKC	-	8,207,964	-	8,207,964	8,207,964	8,153,186
TOTAL	\$ 2,667,779	\$ 8,207,964	\$ -	\$ 10,875,743	\$ 10,875,744	\$ 10,820,966

Note 3: Fixed Assets

There are no fixed assets as of June 30, 2019.

Note 4: Long-Term Debt

A resolution was adopted by the City Council of the City on November 5, 2012 calling for an election to be held on January 8, 2013, a majority of the qualified voters of the City voting at said election approved the levy of a sales tax at a rate equal to three-quarters of one percent on all sales with the City to provide revenues to fund certain municipal capital improvements and additions to facilities with the city and to pay certain financing costs relating thereto.

The collection of revenues from the imposition of such sales tax is to begin on April 1, 2013 and continue for 15 years or until any debt issued in connection with the improvements has been satisfied, whichever occurs earlier.

TAHLEQUAH PUBLIC FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The city has requested that the authority issue its Sales Tax Revenue Bonds, Series 2013A and Series 2013B in an original aggregate principal amount not to exceed \$25,000,000 for the purposes of paying the costs of the improvements, funding capitalized interest in connection with the bonds and paying costs associated with the issuance of the bonds.

The bonds are being issued pursuant to a sales tax pledge and financing agreement dated as of the 1st day of April, 2013 by and between the Tahlequah Public Facilities Authority and the City of Tahlequah. In consideration for the Authority's issuance of the bonds, the City has agreed to levy, pledge and appropriate the Sales Tax Revenues to the Authority pursuant to this sales tax agreement for purposes of paying and securing the bonds and to agree to certain other covenants contained in the agreement.

The Series 2013A & 2013B bonds shall not constitute obligations, legal or moral, or debts, general or special, of the State of Oklahoma or any political subdivision thereof, of the City of Tahlequah, Oklahoma, or personal obligations of the Trustees of the issuer or general obligations of the issuer, but shall be limited and special obligations of the issuer secured by and payable solely from the trust estate, neither the faith and credit nor the taxing power of the State of Oklahoma, or of any political subdivision thereof, or of the City of Tahlequah, Oklahoma, shall be pledged to the payment of the principal or interest on the Series 2013A & 2013B bonds. The Issuer has no taxing power.

The bonds were issued at a Premium of \$217,432 this amount is added to the amount of the bonds and shown as a long term liability and will be reduced over the life of the bonds as an increase to interest expense.

Current maturity of principal and interest for both 2013A & 2013B for the next five years, under the indebtedness listed above, is as follows:

June 30,	Principal	Interest	Premium Increase	Final Interest
2021	\$1,455,000	\$521,494	\$16,213	\$537,707
2022	\$1,535,000	\$481,753	\$16,213	\$497,966
2023	\$1,615,000	\$443,381	\$16,213	\$459,594
2024	\$1,720,000	\$385,219	\$16,213	\$401,432
2025-2028	\$10,335,000	\$1,585,116	\$55,298	\$1,640,414
Total	\$16,660,000	\$3,416,963	\$120,150	\$3,537,113

TAHLEQUAH PUBLIC FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 5: Other Schedules and Documents

A resolution was adopted by the City Council of the City on November 5, 2012 calling for an election to be held on January 8, 2013, a majority of the qualified voters of the City voting at said election approved the levy of a sales tax at a rate equal to three-quarters of one percent on all sales with the City to provide revenues to fund certain municipal capital improvements and additions to facilities the total cost for all projects was projected to be \$21,112,339 the cost of projects to date are as follows.

Project	Cost to Date
NSU EVENT CENTER	\$ 1,500,000.00
FIRE ENGINE AND EQUIPMENT	516,386.59
POLICE TECHNOLOGY	845,575.79
CALLOUT/SIRENS	80,330.85
TRAFFIC AND PEDESTRIAN SAFETY	90,918.37
SPORTS COMPLEX PHASE 2	1,476,960.78
PHEONIX RENOVATION	61,188.65
GREENBELT DEVELOPMENT	670,696.45
CNG TRUCK CONVERSION	750,901.71
SWIMMING POOL	2,403,854.57
LIBRARY IMPROVEMENTS	399,885.02
WEST SIDE ARMORY AND CITY	1,339,435.93
EAST FOURTH ST (BRIDGE TO BYPASS)	398,475.12
TRANSFER TO GRANT ACCOUNTS	488,665.00
SOUTH MUSKOGEE (4TH TO BYPASS)	150,938.00
NORTH GRAND (NORTH TO ALLEN)	75,435.00
EAST ALLEN ROAD (GRAND TO NORTH CEDAR)	82,450.25
BLUFF PROJECT	1,258,747.41
CRAFTON STREET (CEDAR TO GRAND)	91,666.27
NORTH CEDAR (CRAFTON TO ALLEN)	119,449.00
WEST FOURTH ROW PURCHASE	377,696.60
WEST FOURTH (CAMPBELL TO STICK ROSS)	3,315,008.89
Total Cost to Date	<u>\$ 16,494,666.25</u>

All schedules and documents pertaining to the Tahlequah Public Facilities Sales Tax Revenue Bonds may be found in the office of the Authority located at 111 South Cherokee, Tahlequah, Oklahoma.

Note 6: Concentration of Risk

The City of Tahlequah will remit to the Authority three quarters of one percent of all sales and use tax collected beginning on April 1, 2013 and continuing for 15 years or until the bonds, including any refunding bonds, have been satisfied, whichever occurs earlier.

TAHLEQUAH PUBLIC FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 7: Employee Benefits

The Authority's employees are also employed by the City of Tahlequah, and are paid to perform the Authority's record keeping. The employees are covered by the City's health, retirement, and worker's compensations plans, these benefits are not recorded in the Authority's financial statements. FICA and Medicare withholding are matched by the Authority.

Note 8: Commitments and Contingencies

The Authority has sufficient insurance coverage and/or tort immunity in effect to protect the Authority from any material loss or liability due to pending claims or litigation. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts if any, to be immaterial.

Note 9: Subsequent Events

Subsequent events have been evaluated through the date of the auditor's report which is the date the financial statements were available to be issued.

OTHER REPORTS

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

To the Board of Trustees
Tahlequah Public Facilities Authority
Tahlequah, Oklahoma

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 basic financial statements of Tahlequah Public Facilities Authority, a component unit of the City of Tahlequah and have issued my report thereon dated December 10, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Tahlequah Public Facilities Authority internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tahlequah Public Facilities Authority internal control. Accordingly, I do not express an opinion on the effectiveness of Tahlequah Public Facilities Authority 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.

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 Tahlequah Public Facilities Authority financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 10, 2019

A handwritten signature in black ink, appearing to read 'Barry Spyres', written in a cursive style.

Barry Spyres, CPA