

Cleveland County Facilities Authority
Financial Statements
Year-End June 30, 2012

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Cleveland County Facilities Authority
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Cleveland County Facilities Authority
Norman, Oklahoma

We have audited the accompanying financial statements of Cleveland County Facilities Authority, component unit of Cleveland County, Oklahoma, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Cleveland County Facilities Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland County Facilities Authority as of June 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2014, on our consideration of the Cleveland County 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 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* and should be considered in assessing the results of our audit.

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Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Rakhal Henderson Johnson, PLLC

Ardmore, Oklahoma
May 2, 2014

Cleveland County Facilities Authority
Statement of Net Assets
June 30, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	<u>\$ 114,318</u>
Total current assets	<u>114,318</u>

CAPITAL ASSETS

Building	2,763,049
Accumulated depreciation	<u>(1,378,172)</u>
Net capital assets	<u>1,384,877</u>

Total assets	<u><u>\$ 1,499,195</u></u>
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LIABILITIES

NET POSITION

Invested in capital assets	1,384,877
Unrestricted	<u>114,318</u>

Total net position	<u>1,499,195</u>
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Total liabilities and net position	<u><u>\$ 1,499,195</u></u>
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Cleveland County Facilities Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

Operating revenues		
Rent income		\$ 76,037
Total operating revenues		76,037
Operating expenses		
Depreciation		69,077
Insurance		26,540
Utilities		10,978
Audit and accounting expense		825
Building repairs		4,033
Total operating expenses		111,453
Operating loss		(35,416)
Nonoperating revenue		
Investment income		29
CHANGE IN NET POSITION		(35,387)
NET POSITION, BEGINNING OF YEAR		1,534,582
NET POSITION, END OF YEAR		\$ 1,499,195

See Accompanying Notes to Financial Statements

Cleveland County Facilities Authority
Statement of Cash Flows
For the Year Ended June 30, 2012

OPERATING ACTIVITIES	
Cash received from rent	\$ 76,037
Payments for other expenses	<u>(42,376)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>33,661</u>
INVESTING ACTIVITY	
Interest on Investments	<u>29</u>
NET CASH PROVIDED BY INVESTING ACTIVITY	<u>29</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	33,690
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>80,628</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 114,318</u></u>
Reconciliation of change net position to net cash provided by operating activities:	
Operating Loss	\$ (35,416)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	69,077
Changes in accruals	
Payroll liabilities	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 33,661</u></u>

See Accompanying Notes to Financial Statements

Cleveland County Facilities Authority
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 1 -- CLEVELAND COUNTY FACILITIES AUTHORITY

The Cleveland County Facilities Authority (Authority), a public trust and agency of the State of Oklahoma, was created by a Trust Indenture dated December 9, 1991 designating certain individuals as Trustees of the Cleveland County Facilities Authority for the use and benefit of Cleveland County, Oklahoma, (Beneficiary) under the provisions of Title 60, Oklahoma Statutes 1981, Sections 176 to 180.4 (the Oklahoma Trust Act) and other statutes and laws of the State of Oklahoma.

The purpose of said Trust is to promote and assist the Beneficiary, the State of Oklahoma, its Governmental Agencies, and 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 benefit of the Beneficiary in order to lessen the burdens on government and to stimulate economic growth and development; to inventory the services, facilities and resources of the entire Beneficiary County; to promote, stimulate, encourage and finance the growth and development of the agriculture, commerce and industry of the Beneficiary County, as a whole, all in order to achieve maximum utilization of the Beneficiary County's human, economic and natural resources and tourist attractions; to foster and promote an industrial climate and the payroll of the Beneficiary County; 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 and without restriction, in furtherance of the foregoing general objectives.

The Authority by virtue of common control and dependence is a component unit of Cleveland County, Oklahoma. The Board of County Commissioners appoints Trustees of the Authority. The Trustees are citizens and residents of Cleveland County, as set forth in the Trust Indenture. Upon expiration of any Trustee's term of office, the appointment of successor Trustee will be made by a majority vote of the Board of County Commissioners. The financial activities of Cleveland County and its other component units are not included in the financial statements of the Authority.

The Trust shall have duration until such time as its purpose shall be fulfilled, or until it shall be terminated as provided.

The Authority is authorized, in the furtherance of public purposes, to issue debt to provide funds to promote Facilities within the County.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Authority accounts for its activities, the Alan J. Couch Juvenile Services Center Project (the Project), within a proprietary fund. The Authority's activities meet the definition of an enterprise fund because it is the intent of the Authority to recover, primarily through user charges, the cost of providing goods or services to the general public.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net assets. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is utilized by the proprietary fund. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

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

Cleveland County Facilities Authority
Notes to Financial Statements
For the Year Ended June 30, 2012

operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less.

Rent Income

The Alan J. Couch Juvenile Center has five short-term operating lease agreements with five tenants. These monthly lease payments fund the general operations of the Authority, such as utilities, insurance and repairs on the building. The expenses are estimated annually and allocated on the square footage of each tenant. Each tenant is responsible for their own maintenance, repairs and utilities of their leased space. These leases have been renewed subsequent to year-end.

Contract Receivable and Payable

The State of Oklahoma Office of Juvenile Affairs contracted with the Authority to provide regional detention services for the period July 1, 2011 through June 30, 2012. Services were sub-contracted to Community Works. The Authority assigned their contract revenue to Community Works so no further contract revenue or expense was recognized. The contract with Community Works was extended subsequent to year end.

Capital Assets

Purchased goods or constructed assets are recorded at actual cost. Depreciation is computed on the straight-line method over 40 years, which approximates the economic life of the building. Maintenance and repairs are charged to operations when incurred and betterments and renewals are capitalized. Depreciation expense for the period ending June 30, 2012 is \$69,077.

Use of Estimates

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

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purpose for which both restricted and unrestricted net assets are available, the Authority's policy is to apply to restricted assets first.

Operating and Non-operating Revenues

Proprietary fund operating revenues result from exchange transactions related to the operation of the Project. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues such as investment income result from non-exchange transactions.

NOTE 3 -- CUSTODIAL CREDIT RISK - DEPOSITS

Cleveland County Facilities Authority
Notes to Financial Statements
For the Year Ended June 30, 2012

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 does not have policy for custodial credit risk. The Authority was not exposed to custodial credit risk as of June 30, 2012.

NOTE 4 -- CONTRACT CONCENTRATION

Continued operation of the Juvenile center is dependent upon continuation of the contract with the State of Oklahoma Office of Juvenile Affairs.

NOTE 5 -- CAPITAL ASSET ACTIVITY

Capital assets activity for the year ended June 30, 2012 consists of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets being depreciated:				
Buildings and building improvements	\$ 2,763,049	\$ -	\$ -	\$ 2,763,049
Total Capital Assets	2,763,049	-	-	2,763,049
Less accumulated depreciation for:				
Buildings and building improvements	(1,309,095)	(69,077)		(1,378,172)
Total Capital Assets, net	\$ 1,453,954	\$(69,077)	\$ -	\$ 1,384,877

NOTE 6 – RISK MANAGEMENT

The Authority participates in the Association of County Commissioners of Oklahoma Self-Insured Group (ACCO-SIG), which was established pursuant to the State of Oklahoma Interlocal Cooperation Act of Oklahoma Statutes 74-1001. ACCO-SIG is a public entity risk pool currently operating as a common risk management and insurance program for the member counties. The main purpose of ACCO-SIG is to jointly self-insure certain risks up to an agreed upon retention limit and to obtain excess catastrophic coverage and aggregate stop-loss reinsurance over the selected retention limit. Property and liability insurance coverage is subject to a \$10,000 per loss deductible up to \$50,000. In fiscal year 2012, the Authority paid \$26,540 to ACCO-SIG for property and liability coverage.. Settled claims have not exceeded the coverage in any of the past three years. The Authority's level of coverage has not changed for the past year.

NOTE 7 – NEW GASB STANDARD

In Fiscal year 2013, the Authority implemented GASB Statement 63, Reporting Deferred Outflows, Deferred Inflows, and Net Position. This statement includes a title change from the "Statement of Net Assets" to "Statement of Net Position", requires deferred outflows to be reported in a separate section after assets, deferred inflows reported as a separate section after liabilities. Only those items specifically defined by GASB may be reported as deferred outflows or inflows. The only effect on the financial statements was the change in terminology "net assets" to "net position".

NOTE 8 - SUBSEQUENT EVENT

Cleveland County Facilities Authority
Notes to Financial Statements
For the Year Ended June 30, 2012

Effective June 30, 2013, the Authority will cease to exist and all activity will be transferred to the Cleveland County Public Facilities Authority.



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 Trustees
Cleveland County Facilities Authority
Norman, Oklahoma

We have audited the financial statements of Cleveland County Facilities Authority, as of and for the year ended June 30, 2012, which collectively comprise the Cleveland County Facilities Authority's basic financial statements and have issued our report thereon dated May 2, 2014. Our report included another matter paragraph for required supplementary information which is not included. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cleveland County Facilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cleveland County Facilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cleveland County Facilities Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Cleveland County Facilities Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Cleveland County Facilities Authority's financial statements that is more than inconsequential will not be prevented or detected by the Cleveland County Facilities Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Cleveland County Facilities Authority's internal control.

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

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Compliance and Other Matters

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

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

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma

May 2, 2014