

**INDEPENDENT ACCOUNTANT'S
AUDIT REPORT**

**CACHE EDUCATIONAL
FACILITIES AUTHORITY
(A Component Unit of the City of Cache, OK)**

JUNE 30, 2011

BY



Cache Educational Facilities Authority
Cache, Oklahoma
(A Component Unit of the City of Cache)
Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Cache Educational Facilities Authority
Cache, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Cache Educational Facilities Authority (a discretely presented component unit of the City of Cache, Oklahoma), as of and for the year ended June 30, 2011, and the related notes to the financial statements, 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

Our responsibility is to express opinions 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 respective financial position of the business type activities of Cache Educational Facilities Authority as of June 30, 2011, and the respective changes in financial position and, where applicable, 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

Management 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 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 Cache Educational Facilities Authority and do not purport to, and do not present fairly the financial position of Cache, Oklahoma as of June 30, 2011, 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 December 21, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


Furrh & Associates, PC
Lawton, Oklahoma
December 21, 2017

Cache Educational Facilities Authority

Cache, Oklahoma

(A Component Unit of the City of Cache)

Statement of Net Position

June 30, 2011

ASSETS

Current Assets

Restricted Cash Accounts	\$ 13,587,981	
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Total Current Assets		\$ 13,587,981
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Fixed Assets

School Building	8,270,436	
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Total Fixed Assets	8,270,436	
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TOTAL ASSETS		\$ 21,858,417
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LIABILITIES AND NET POSITION

Current Liabilities

Accrued Interest Expense	\$ 185,852	
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Total Long Term Liabilities		\$ 185,852
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Long Term Liabilities

Bonds Payable	22,825,000	
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Total Long Term Liabilities	22,825,000	
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Total Liabilities		23,010,852
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Net Position

Restricted	(1,152,435)	
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Total Net Position		(1,152,435)
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TOTAL LIABILITIES AND NET POSITION		\$ 21,858,417
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Please see accompanying notes to the financial statements.

Cache Educational Facilities Authority
Cache, Oklahoma
(A Component Unit of the City of Cache)
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2011

Operating Revenue		
Federal Subsidiary	\$ 259,239	
Rent Income	<u>1,500</u>	
Total Operating Expenses		\$ 260,739
Operating Expenses		
Legal Expense	4,936	
Trustee Fees	11,500	
Closing Fees	<u>251,801</u>	
Total Operating Expenses		<u>268,237</u>
Net Income (Loss) from Operations		(7,498)
Non Operating Revenue (Expense)		
Interest Income	1,933	
Interest Expense	<u>(932,358)</u>	
Total Non Operating Revenue (Expense)		<u>(930,425)</u>
Net Income (Loss)		(937,923)
Net Position, Beginning of Year		<u>(214,512)</u>
Net Position, End of Year		<u><u>\$ (1,152,435)</u></u>

Please see accompanying notes to the financial statements.

Cache Educational Facilities Authority

Cache, Oklahoma

(A Component Unit of the City of Cache)

Statement of Cash Flows

For the Year Ended June 30, 2011

Cash Flows from Operating Activities

Cash Received	\$	260,739	
Operating Expenses		<u>(268,237)</u>	
Net Cash Provided (Used) by Operating Activities	\$		(7,498)

Cash Flows from Investing Activities

Purchased School Building		<u>(8,270,436)</u>	
Net Cash Provided (Used) by Investing Activities			<u>(8,270,436)</u>

Cash Flows from Financing Activities

Interest Paid		(746,506)	
Interest Received from Investments		<u>1,933</u>	
Net Cash Provided (Used) by Financing Activities			<u>(744,573)</u>

Net Increase (Decrease) in Cash and Cash Equivalents (9,022,507)

Cash and Cash Equivalents - June 30, 2010 22,610,488

Cash and Cash Equivalents - June 30, 2011 \$ 13,587,981

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

Net Operating Income (Loss)	\$	<u>(7,498)</u>
Net Cash Provided (Used) by Operating Activities	\$	<u><u>(7,498)</u></u>

Please see accompanying notes to the financial statements.

Cache Educational Facilities Authority
Cache, Oklahoma
(A Component Unit of the City of Cache)
Notes to the Financial Statements
June 30, 2011

Note 1 – Significant Accounting Policies

The Cache Educational Facilities Authority (the Authority) was established as a Trust for the use and benefit of the Beneficiary for the public purposes hereinafter set forth, 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 statutes and laws of the State of Oklahoma. The Authority is to assist the beneficiary in making the most efficient use of all their economic resources and powers to lessen the burden on government and to stimulate educational growth and development; promote the educational wellbeing of the Beneficiary by improving available resources, increasing meaningful job opportunities, promoting entrepreneurship and capital investment. The Authority is to conduct all business related to providing the necessary educational facilities and/or services; to plan, establish, develop, construct, finance, enlarge, remodel, acquire, improve, make alterations, extend, maintain, equip, operate, lease, furnish and regulate any facilities related to any of the foregoing, and if desired, to lease such facilities and to operate the same in connection therewith, and to do, perform, own, acquire, construct or engage in or finance any other enterprise or activity, project or facility to such extent and in such manner as now is or may be considered a proper and lawful function of public trust entities within the State of Oklahoma. The Authority began operation on June 13, 2005. The Authority is exempt from federal and state income taxes.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America. The Authority is considered a governmental entity as defined by the Governmental Accounting Standards Board (GASB) and applies all relevant GASB pronouncements.

The Authority's operations are considered proprietary in nature and therefore the Authority has adopted a reporting framework similar to that of proprietary type funds. 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 Authority's enterprise fund is rental income from the school districts. Operating expenses include trustee fees and administrative fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. GAAP for proprietary fund types are generally those applicable to similar businesses in the private sector; the measurement focus is on the determination of net income, financial position, and cash flows. All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business, including fixed assets and debt are accounted for in a single proprietary fund rather than a series of funds and account groups.

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 disclosure of contingent assets and liabilities at the date of the

Cache Educational Facilities Authority
Cache, Oklahoma
(A Component Unit of the City of Cache)
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June 30, 2011

financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted assets include investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the bond indentures require that funds be held in a bond fund which is comprised of the reserve account, debt service account, and improvement account. Under the term and provisions of the indenture, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the bonds are outstanding.

Note 2 – Economic Dependence

The Authority receives all of its revenue from the Cache Public Schools.

Note 3 – Restricted Cash and Investments

The Authority had the following restricted cash and investment accounts, which are temporarily invested in federal obligations; consequently, no collateral pledge is required.

BancFirst Improvement Fund	\$ 13,079,568
BancFirst Debt Service Fund	453,362
BancFirst Debt Service Fund	32,178
All America Bank Operating	22,873
	<u>\$ 13,587,981</u>

Note 4 – Capital Assets

The School construction costs are accumulated in a fixed asset account labeled “Improvements to Facilities” and will remain a non-depreciable asset until the lease obligation is fulfilled and title is transferred to the schools. The Authority will provide for the acquisition, construction, equipping, renovating, and remodeling of school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving Cache Public Schools.

Cache Educational Facilities Authority
Cache, Oklahoma
(A Component Unit of the City of Cache)
Notes to the Financial Statements
June 30, 2011

	<u>6/30/2010</u>	<u>Additions / (Disposals)</u>	<u>6/30/2011</u>
School Building	\$ 0	\$ 8,270,436	\$ 8,270,436
Total	<u>\$ 0</u>	<u>\$ 8,270,436</u>	<u>\$ 8,270,436</u>

Note 5 – Accrued Interest

Interest payments on the bonds are due semi-annually on March 1 and September 1 each year until maturity. Interest payable is accrued from March 2 to June 30.

Note 6 – Rent Agreement

The Authority has a commitment with the school district to lease the facilities. The Authority receives \$1,500 semi-annual rent payments from the school district.

Note 7 – Long Term Debt

On June 30, 2010, the Authority issued its Series 2010A Revenue Bonds in the amount of \$22,535,000, for the purpose of financing school construction projects for Cache Public Schools. The bonds are paid annually in various principal amounts over the period of September 1, 2013 through September 1, 2021. The interest rate on the individual bonds is 2.944 to 5.757 per cent per annum. The bonds were sold at a discount of \$194,013.

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 0	\$ 1,106,413	\$ 1,106,413
2013	0	1,106,413	1,106,413
2014	1,050,000	1,085,805	2,135,805
2015	1,920,000	1,028,704	2,948,704
2016	2,255,000	945,082	3,200,082
2017 - 2021	<u>17,310,000</u>	<u>2,897,268</u>	<u>20,207,268</u>
Total	<u>\$ 22,535,000</u>	<u>\$ 8,169,685</u>	<u>\$ 30,704,685</u>

Cache Educational Facilities Authority
Cache, Oklahoma
(A Component Unit of the City of Cache)
Notes to the Financial Statements
June 30, 2011

On June 30, 2010, the Authority issued its Series 2010B Revenue Bonds in the amount of \$290,000, for the purpose of financing school construction projects for Cache Public Schools. The bonds are paid annually in various principal amounts over the period of September 1, 2012 through September 1, 2013. The interest rate on the individual bonds is 3.00 per cent per annum.

Year Ended June 30	Principal	Interest	Total
2012	\$ 0	\$ 8,700	\$ 8,700
2013	45,000	7,800	52,800
2014	245,000	2,450	247,450
Total	<u>\$ 290,000</u>	<u>\$ 18,950</u>	<u>\$ 308,950</u>

Note 8 – Changes in Long Term Debt

Changes in long term debt during the year were as follows:

Bonds Payable	Balance as of 06/30/2010	Increase	Balance as of 06/30/2011	Due in One Year
Series 2010A	\$ 22,535,000	\$ 0	\$ 22,535,000	\$ 0
Series 2010B	290,000	0	290,000	0
Total	<u>\$ 22,825,000</u>	<u>\$ 0</u>	<u>\$ 22,825,000</u>	<u>\$ 0</u>

Note 9 – Equity Classifications

Equity is classified as Net Position and is displayed in three components:

- a) Invested in capital assets, net of related debt—consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b) Restricted net position—consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

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Notes to the Financial Statements
June 30, 2011

- c) Unrestricted net position—all other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Note 10 – Subsequent Events

Subsequent events were evaluated through December 21, 2017, which is the date the financial statements were available to be issued.



**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**

Cache Educational Facilities Authority
Cache, Oklahoma

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 activities of Cache Educational Facilities Authority (a discretely presented component unit of the City of Cache, Oklahoma), as of and for the year ended June 30, 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report there on dated December 21, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 the trust Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the trust 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 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. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we 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 the 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*.

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.


FURRH & ASSOCIATES, PC

Lawton, Oklahoma

December 21, 2017