Financial Statements and Reports of
Independent Certified Public Accountant

Miami Educational Facilities Authority

Miami, Oklahoma
June 30, 2014

TURNER & ASSOCIATES, PLC
Certified Public Accountants
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Vinita, OK 74301
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Miami Educational Facilities Authority
Board of Trustees
June 30, 2014

Miami Educational Facilities Authority
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TURNER
& ASSOCIATES, PLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Miami Educational Facilities Authority
Miami, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Miami Educational Facilities Authority, a component unit of the City of Miami, as of and for the year ended June 30, 2014, 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. 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.

As discussed in Note I, the financial statements present only the Miami Educational Facilities Authority and do not purport to, and do not present fairly the financial position of the City of Miami, Oklahoma, as of June 30, 2014, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the component unit activities of the Miami Educational Facilities Authority, as of June 30, 2014, 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 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.

Turner & Associates, PLC

Vinita, Oklahoma
January 6, 2015

TURNER
& ASSOCIATES, PLC
Certified Public Accountants

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

Board of Directors
Miami Educational Facilities Authority
Miami, Oklahoma

We have audited 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, the financial statements of the special revenue fund of the Miami Educational Facilities Authority, County of Ottawa, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Miami Educational Facilities Authority's financial statements, and have issued our report thereon dated January 6, 2015. The Miami Educational Facilities Authority did not present the Management's Discussion and Analysis and Budgetary Comparison Schedule that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Miami Educational Facilities 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 Miami Educational Facilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Miami Educational 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 was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting, describe in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses.

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.

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Miami Educational 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*.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Turner & Associates, PLC

Vinita, Oklahoma
January 6, 2015

Miami Educational Facilities Authority
Statement of Net Position
June 30, 2014

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	-
Due From Other Governments		-
Accrued Interest Receivable		-
Total Current Assets		-
Noncurrent Assets		
Restricted US Treasuries		-
Other Assets		
Bond Issuance Costs, net		-
Total Assets		-
LIABILITIES		
Current Liabilities		
Accrued Interest Payable		-
Long Term Liabilities		
Bonds Payable, net of Current Portion		-
Deferred Gain on Capital Lease		-
Total Long Term Liabilities		-
Total Liabilities		-
NET POSITION		
Total Net Position, Unrestricted	$	-

The accompanying Notes to the Financial Statements are an integral part of this statement.

Miami Educational Facilities Authority
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2014

Operating Revenues	
Rental Income	$ 10,587.07
Operating Expenses	
Amortization Expense	(2,618.24)
Professional Fees	(1,967.50)
Trustee Expense	(2,138.33)
Total Operating Expenses	(6,724.07)
Net Income (Loss) From Operations	3,863.00
Non Operating Revenue (Expense)	
Interest Income	4,324.48
Deferred Gain recognized on Capital Lease	227,709.92
Loss on Sale of Asset	(8,195.00)
Interest Expense	(12,785.45)
Total Non Operating Revenue (Expense)	211,053.95
Net Income (Loss)	214,916.95
Net Assets, Beginning of Year	(214,916.95)
Net Assets, End of Year	$ -

The accompanying Notes to the Financial Statements are an integral part of this statement

Miami Educational Facilities Authority
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash Flows from Operating Activities	
Cash Inflows:	
Payments Received from Customers	$ 11,587.07
Cash Outflows:	
Payments for Goods and Services	(4,105.83)
Net Cash Provided (Used) by Operating Activities	7,481.24
Cash Flows from Capital and Related Financing Activities	
Interest Expense	(38,356.25)
Net Increase in Lease Purchase	1,657,305.63
Bond Repayment	(1,805,000.00)
Net Cash Provided (Used) by Capital and Related Financing Activities	(186,050.62)
Cash Flows from Investing Activities	
Interest Received from Investments	23,614.24
Loss on Sale of Asset	(8,195.00)
	15,419.24
Net Cash Inflow (Outflow) from All Activities	(163,150.14)
Cash and Cash Equivalents at Beginning of Year	163,150.14
Cash and Cash Equivalents at End of Year	$ -
Cash and Cash Equivalents	
Unrestricted Cash and Cash Equivalents	$ -
Restricted Cash and Cash Equivalents	-
Cash and Cash Equivalents at End of Year	$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Net Operating Income (Loss)	$ 3,863.00
Amortization of Bond Issuance Costs	2,618.24
Rent Recievable	1,000.00
Net Cash Provided by Operating Activities	$ 7,481.24

The accompanying Notes to the Financial Statements are an integral part of this statement.

Miami Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

The following notes to the financial statements are an integral part of Miami Educational Facilities Authority's financial statements.

I. Summary of Significant Accounting Policies

Miami Educational Facilities Authority, Miami, Oklahoma (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 Statues 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 Trust 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 entrepreneurism and capital investment. The Trust 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 alternations, 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 March 31, 2008. The Authority is exempt from federal and state income taxes.

On May 15, 2008, the Board of Trustees of the Authority approved the Miami Educational Facilities Authority Educational Facilities Lease Revenue Bonds, Series 2008 between the Authority and BancFirst (the Trustee) providing for the issuance of Revenue Bonds in the aggregate principal amount of $3,190,000 less the bond issuance costs of $83,775.

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.

A. Financial Reporting Entity

The Authority complies with GASB Statement No. 14, *"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.

The Authority is a component unit of the City of Miami, Miami, Oklahoma and will be included in the City of Miami's basic financial statements.

Miami Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

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 assets (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 assets.

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 Authority's enterprise fund is rent and lease payments assessed at an interest rate of 1.2% charged to the Miami School District. 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.

D. Assets, Liabilities, Net Assets and Revenues

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Trust 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.

Miami Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Assets and Revenues (continued)

2. 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 materially 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.

3. Restricted Assets

Restricted assets include investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the bond indenture require that funds be held in a bond fund which is comprised of the reserve account, debt service account, and improvement account. Under the terms 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.

4. Rent Receivable

The Authority receives semi-annual rent payments from Miami Public Schools in the amount of $1,500.

5. Accrued Interest

Interest payments on the 2008 Series Bonds are due semi-annually on March 1 and September 1 each year until maturity. Interest payable is accrued from March 1 through June 30 on all bonds.

6. Long-Term Obligations

Long-term debt is reported as a liability in the Authority's balance sheet. Bond premiums, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as "other noncurrent assets" and amortized over the term of the related debt.

7. Deferred Revenue

The Authority entered into a lease agreement with Miami Public Schools. The 2008 Bond Series proceeds are used to complete the construction of the gymnasium/band and choral facility. This facility is being sold to the Miami Public Schools through a lease agreement. Deferred Revenue was recognized as shown in the Statement of Revenue and Expenses and Changes in Fund Net Position.

Miami Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Assets and Revenues (continued)

8. Equity Classifications

Equity is classified as net assets and 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 assets --- 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.
c. Unrestricted net assets --- All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

9. Use of Estimates

The preparation of financial statements in conformity with U.S. 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Detailed Notes Concerning the Funds

A. Cash

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 deposit, are maintained in financial institutions. As of June 30, 2014, none of the Authority’s deposits were exposed to custodial credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Repurchase agreements: The Authority was invested in Federated Treasury Obligations. According to the Federated Treasury Obligation Fund portfolio, 67.4% of the investments are subject to repurchase agreements. The Authority’s investment accounts are closed so no current and future holdings are subject to risk.

Miami Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

II. Detailed Notes Concerning the Funds (continued)

C. Long-Term Debt

The Authority issued bonds in the amount of $3,190,000 on May 15, 2008. Interest on the bonds is payable March 1st and September 1st at varying rates. The Authority has a total of (3) principal payments, beginning September 1, 2010. This bond was paid off during the current year.

D. Changes in Long-Term Debt

Long-term debt consists of bonds payable. The following is a summary of the changes in long-term debt of the Authority for the fiscal year.

	Balance June 30, 2013	Advances	Payments	Balance June 30,2014	Due within One Year
Bonds Payable	$ 1,805,000.00	$ -	$ 1,805,000.00	$ -	$ -

E. Lease Purchase Agreement (Sub Lease)

The Authority has a commitment with the Miami Public Schools to lease the gymnasium/band and choral facility. The rent is due in equal semi-annual installments on or before the 1st of September and March ending September 1, 2013. The lease was paid off in September 2013. The last rental payment was also made. There will be no future rental payments.

Miami Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

II. Detailed Notes Concerning the Funds (continued)

F. Capital Lease Agreement (Ground Lease)

The Authority has entered into an agreement to lease the gymnasium/band and choral facility. Such agreements are, in substance, purchase (capital leases) and are reported as capital lease obligations.

The Authority leases the gymnasium/band and choral facility to the Miami Public Schools at an interest rate of 1.2%. The terms of this lease commenced on May 1, 2008 and extends to May 31, 2018 under the terms of the indenture and so long thereafter as long as any Bond shall remain outstanding and unpaid. Upon fulfilling the lease obligation, the Authority agrees to execute and deliver to the Miami Public Schools a deed or bill of sale, as appropriate, to convey legal title to the gymnasium/band and choral facility. The bonds were paid off September 1, 2013 and legal title was conveyed to Miami Public Schools.

III. Other Information

A. Economic Dependence

During the fiscal year ended June 30, 2014, the Authority reported no lease revenues pursuant to its lease agreement with the Miami Public Schools, Miami, Oklahoma due to the pay-off of the outstanding bonds and lease obligations.

B. Related Party Information

The Miami Educational Facilities Authority chairman also serves on the Board at The First National Bank & Trust Company of Miami, Oklahoma, which purchased some of the bonds used to finance the construction of the gymnasium/band and choral facility and maintains a checking account thereat.

C. Subsequent Events

Management has evaluated subsequent events through January 6, 2015, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.