

*Independent Auditor's Report*

***Canadian County Educational Facilities Authority***

*Year Ended June 30, 2017*

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY  
EL RENO, OKLAHOMA  
June 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Canadian County Educational Facilities Authority  
El Reno, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the business-type activities of Canadian County Educational Facilities Authority, El Reno, Oklahoma, as of and for the year ended June 30, 2017, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 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 Authority'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 Authority'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 opinion.

### **Opinion**

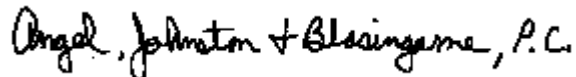
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of the Canadian County Educational Facilities Authority, El Reno, Oklahoma as of June 30, 2017, and the respective changes in modified cash basis financial position and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated, September 6, 2018, 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.



Angel, Johnston & Blasingame, P.C.  
Chickasha, Oklahoma  
September 6, 2018

## *Basic Financial Statements*

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY**  
**Statement of Net Position**  
**Modified Cash Basis**  
**June 30, 2017**

**ASSETS**

**Current Assets**

Cash and cash equivalents \$ 790,867

*Total Assets* 790,867

**LIABILITIES**

*Total Liabilities* 0

**NET POSITION**

Unrestricted 790,867

*Total Net Position* \$ 790,867

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

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Modified Cash Basis**  
**For the Year Ended June 30, 2017**

<b>Operating Revenues</b>	
Administration Acceptance Fees	\$ 120,769
Bond Issue Fees	138,300
Audit Reimbursements	1,375
<i>Total Operating Revenues</i>	<u>260,444</u>
<b>Operating Expenses</b>	
Professional Fees	1,084
Audit Fees	3,695
Reimbursement	2,870
Library Consortium	65,000
<i>Total Operating Expenses</i>	<u>72,649</u>
<i>Operating Income (Loss)</i>	<u>187,795</u>
<b>Non-Operating Revenues (Expenses)</b>	
<i>Total Non-Operating Revenues (Expenses)</i>	<u>-</u>
<i>Change in Net Position</i>	<u>187,795</u>
<i>Net Position - Beginning of Year</i>	<u>603,072</u>
<i>Net Position - End of Year</i>	<u><u>\$ 790,867</u></u>

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

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY**  
**Statement of Cash Flows**  
**Modified Cash Basis**  
**For the Year Ended June 30, 2017**

**Cash flows from operating activities**

Receipts from bond customers	\$	260,443
Payment to Library Consortium		(65,000)
Payment to vendors		(7,649)
<i>Net cash provided (used ) by operating activities</i>		187,795
 <i>Net increase (decrease) in cash and cash equivalents</i>		 187,795
<i>Cash and cash equivalents at beginning of year</i>		<i>603,072</i>
<i>Cash and cash equivalents at end of year</i>	\$	<i>790,867</i>

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities**

Operating income (loss)	\$	187,795
 <i>Net cash provided by (used for) operating activities</i>	 \$	 187,795

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



# CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY

## Notes to the Basic Financial Statements

For the Year Ended June 30, 2017

### Note 1 – Summary of Significant Accounting Policies

#### 1.A. Financial Reporting Entity

Canadian County Educational Facilities Authority, a public trust, created August 3, 2009, for the benefit of Canadian County, Oklahoma, to function as an educational trust for the benefit of Canadian County, Oklahoma, the State of Oklahoma, Governmental Agencies, municipalities and private entities, agencies and citizens in its charitable, scientific, literary or educational purposes and in making the most efficient use of all of their economic resources and powers in accordance with the needs and benefit of the Beneficiary and Canadian County in order to lessen the burdens on government and to charitable, scientific, literary or educational economic growth and development of Canadian County. The Authority accomplishes its mission through various educational development trusts. The Authority is empowered to borrow money and to pledge assets, properties and revenue as security against its borrowings. The Authority has no taxing power and is not legally required to adopt a budget.

Canadian County Educational Facilities Authority generally does not acquire any assets or incur any liability when it issues bonds for eligible entities. It may earn and collect administrative fees and must be informed of the unpaid balances. If however Canadian County Educational Facilities Authority manages the assets and liabilities and does not assign them, then the assets and liabilities would be recognized. Note 3- Conduit Debt Obligations discloses the outstanding obligations, which the Authority has facilitated.

#### Related Organizations

Canadian County - Canadian County is the beneficiary of this public trust. The elected Canadian County commissioners are the Authority's trustees. Therefore the Authority is considered to be a component unit of Canadian County.

The accompanying financial statements include all functions and activities over which the Authority exercises financial accountability. Canadian County Educational Facilities Authority is a component unit of the governmental entity of Canadian County, Oklahoma. Canadian County's financial information is not presented in these financial statements. Canadian County financial audits are readily obtainable at, [www.sai.ok.gov](http://www.sai.ok.gov), the State Auditor's website.

#### 1.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.

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY**

**Notes to the Basic Financial Statements**

**For the Year Ended June 30, 2017**

**Note 1 – Summary of Significant Accounting Policies, (continued)**

**1.C. Measurement Focus and Basis of Accounting**

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recognized and recorded in the financial statements regardless of the measurement focus applied.

The Authority's financial statements use the economic resources measurement focus and are presented on the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid.

This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use 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.

**1.D. Assets, Liabilities and Net Position**

Cash & Cash Equivalents- For the purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit and U.S. Treasury bills with maturities of three months or less to be cash and cash equivalents.

Net Position – Net Position is divided into three components:

- a. *Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements 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 and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY**

**Notes to the Basic Financial Statements**

**For the Year Ended June 30, 2017**

**Note 1 – Summary of Significant Accounting Policies, (continued)**

**1.D. Assets, Liabilities and Net Position, (continued)**

It is the Authority's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**1.E. Revenues and Expenses**

Operating and Nonoperating Revenues - Operating revenues are considered those whose cash flows are related to operating activities, while revenues related to financing, capital and investing activities are reported as non-operating.

Expenses - The Authority reports expenses relating to the use of economic resources.

**Note 2 – Deposits, Investments and Collateral**

Deposits and Investments - The Authority does not have a written investment policy that limits its investment choices. Investments are limited by State statute and declaration of trust.

Custodial Credit Risk - 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 a written policy for custodial risk, but *Oklahoma Statutes* require collateral for all uninsured deposits of public trust funds in financial institutions. At June 30, 2017 the Authority was under collateralized by \$40,867.

**Note 3- Conduit Debt Obligations**

CCEFA- Conduit Debt – The Canadian County Educational Facilities Authority has the following conduit debt outstanding at June 30, 2017, in the form of Lease Revenue Bonds:

	<u>Original Issue</u>	<u>Outstanding June 30, 2017</u>
CCEFA- Mustang Public Schools (2009)	\$ 38,070,000	\$ 0
CCEFA- Mustang Public Schools (2012)	\$ 64,195,000	\$ 57,145,000
CCEFA- Mustang Public Schools (2017)	\$138,300,000	\$138,300,000
CCEFA- Calumet Public Schools (2013)	\$ 4,800,000	\$ 3,470,000
CCEFA- Calumet Public Schools (2015)	\$ 5,070,000	\$ 4,100,000
CCEFA- Union City Public School (2015a)	\$ 4,855,000	\$ 4,855,000
CCEFA- Union City Public School (2015b)	\$ 235,000	\$ 235,000
Total	\$255,525,000	\$208,105,000

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY**

**Notes to the Basic Financial Statements**

**For the Year Ended June 30, 2017**

**Note 3- Conduit Debt Obligations, (continued)**

The Canadian County Educational Facilities Authority has the following conduit debt outstanding at June 30, 2017, in the form of Lease Purchase Financing:

	<u>Original Issue</u>	<u>Outstanding June 30, 2017</u>
CCEFA- Maple Public Schools (2012)	\$ 2,988,000	\$ 2,166,234
CCEFA- El Reno Public Schools (2013)	\$33,050,000	\$ 28,084,938
CCEFA- Canadian Valley Technology Center (2013)	<u>\$ 9,950,000</u>	<u>\$ 8,729,934</u>
Total	\$45,988,000	\$ 38,981,106

The Canadian County Educational Facilities Authority has the following conduit debt outstanding at June 30, 2017, in the form of Lease Purchase Refinancing:

	<u>Original Issue</u>	<u>Outstanding June 30, 2017</u>
CCEFA- Canadian Valley Technology Center (2006)	\$ 6,816,686	\$ 2,777,145
CCEFA- Canadian Valley Technology Center (2007)	\$ 4,420,617	\$ 3,670,673
CCEFA- Canadian Valley Technology Center (2009)	<u>\$ 1,520,000</u>	<u>\$ 311,071</u>
Total	\$ 12,757,303	\$ 6,758,889

This debt is considered non-commitment debt to the Authority since debt payments are made solely by the schools. Payments are made directly by Mustang, Canadian Valley Tech Center, Maple, El Reno, Calumet, and Union City to the Trustee banks. In the event of default by the schools, the Authority has no obligation, in substance, to make any payments on the debt since the note receivable, financing agreements and mortgages on the property with the school are the only security for the debt. As a result of the non-commitment determination, the Authority's indebtedness and related receivables from the school are not recorded in the financial statements. Total conduit debt on June 30, 2017 was \$253,844,995.

**Note 4 - Commitments and Contingencies**

The Authority is dependent upon the repayment of the bonds solely from the beneficiary of the bond issues. If the beneficiary defaulted on the bond payments it would not have a significant impact on the Authority's financial condition. Conduit debt is non-recourse debt.

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY**

**Notes to the Basic Financial Statements**

**For the Year Ended June 30, 2017**

**Note 5 – Subsequent Events**

On March 26, 2018 Trustee Marc Hader offered the following resolution regarding the Library Consortium: “Be it resolved that the Educational Facilities Authority disperse checks on this date, prorated to the funding percentages to each library agreed upon by the Library Consortium of Canadian County in the total amount of \$69,963 for this fiscal year, 2018. Be it further resolved that moving forward each additional year the funding be rounded and capped at \$70,000 in perpetuity unless the balance of funds in the account of the Educational Facilities Authority drops to a reserve figure of \$20,000 needed to maintain the records and audits of the authority itself”. El Reno – 26%, Piedmont – 10%, Mustang – 28% and Yukon – 36%.

The Authority facilitated the following Lease Revenue Bond subsequent to year end and the date the financial statements were available to be issued:

In August 2017, consideration was given to the adoption of a resolution authorizing the Authority to issue its Lease Revenue Bonds, in an aggregate principal amount not to exceed \$27,000,000 to Canadian Valley Technology Center School District No. 6.

Consideration was also given to the adoption of a Resolution authorizing the Authority to issue its Lease Revenue Bonds, in an aggregate principal amount not to exceed \$55,000,000 to Piedmont Public Schools.

These issues are conduit, non-recourse debt for the Authority.

# *Report on Internal Control and Compliance*

**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**

To the Board of Trustees  
Canadian County Educational Facilities Authority  
El Reno, 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 modified cash basis financial statements of the business-type activities of the Canadian County Educational Facilities Authority, El Reno, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, September 6, 2018. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the Authority prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Canadian County 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 17-01.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. 17-02, 17-03.

### **Compliance and Other Matters**

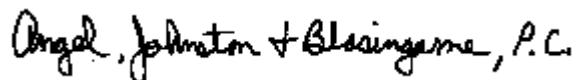
As part of obtaining reasonable assurance about whether Canadian County Educational Facilities Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 17-01, 17-02 and 17-03.

### **Canadian County Educational Facilities Authority's Response to Findings**

Canadian County Educational Facilities Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with the *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Angel, Johnston & Blasingame, P.C.  
Chickasha, Oklahoma  
September 6, 2018



**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY**

**Schedule of Findings and Responses**

**For the Year Ended June 30, 2017**

**17-01** *Criteria* – The segregation of duties and responsibilities between different individuals for custody of assets, record keeping for those assets, and reconciliation of those assets accounts is an important control activity needed to adequately protect the Authority’s assets and ensure accurate financial reporting.

*Condition* – Presently the same individual performs all accounting functions; receives checks, makes bank deposits, writes checks, reconciles the monthly bank statements and prepares financial summaries.

*Cause* – The Authority’s limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

*Effect or Potential Effect* – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the accounting functions, including misappropriation of assets, could occur and not be detected within a timely basis.

*Recommendation* – While it may not be cost effective to hire the additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the Board should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties.

*Management response* – Management agrees.

**17-02** *Criteria* – Deposits that exceed FDIC insurance coverage should have sufficient collateral pledged to secure the uninsured deposits in the event of a bank failure. (62 O.S. § 511-517)

*Condition* – The Authority did not have adequate collateral pledged to cover deposits held at the bank not insured by FDIC. On June 30, 2017, \$40,866.81 was not insured by FDIC or collateralized.

*Cause* – The Board was unaware the Authority’s deposits exceeded the amount insured by FDIC.

*Effect or Potential Effect* – Without sufficient collateral pledged, uncollateralized and uninsured deposits are at risk in the event of a bank failure.

*Recommendation* – Recommend management request an increase in collateral agreement and monitor bank balances to ensure adequate collateral pledged to minimize deposit risk in the event of a bank failure, or deposit monies exceeding FDIC insurance in a second bank.

*Management response* – Management will monitor bank deposits for balance exceeding the amounts insured by FDIC and collateralize.

**Canadian County Educational Facilities Authority**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2017**

**17-03** *Criteria* – Proper purchasing procedures require that all payments made by the Authority should have corresponding invoices, received by the Authority that are signed off by the person receiving the goods or services and maintained in the Authority’s records.

*Condition* – During the testing of expenditures, copies of all invoices paid during the year by the Authority were requested. After multiple requests went unanswered by the Authority’s secretary a partner of Bass Law Firm provided the copies of the invoices paid by the Authority. The only expenditures made by the Authority during the year were paid to Bass Law Firm. The law firm provided the only documentation for their own charges.

*Cause* – The Authority’s secretary was unable to provide documentation supporting the payments made to Bass Law Firm. Instead, Bass Law Firm provided copies of invoices for payments received.

*Effect or Potential Effect* – Not following proper purchasing procedures could lead to the Authority paying for goods or services not actually received or ordered. Having the vendor supply their own invoices as documentation could result in fabricated invoices.

*Recommendation* – Proper purchasing procedures should be followed at all times. This includes receiving an invoice from a vendor, making sure the amounts and total are correct, footing the invoice, signing or initialing the invoice to notate the goods or services were actually provided, and maintaining the invoices in the Authority’s files.

*Management Response* – Management agrees.