

Independent Auditor's Report

Canadian County Educational Facilities Authority

Year Ending June 30, 2012

**CANADIAN COUNTY EDUCATIONAL
FACILITIES AUTHORITY
EL RENO, OKLAHOMA
TABLE OF CONTENTS
June 30, 2012**

BASIC FINANCIAL STATEMENTS

Independent Auditor's Report	A - 1
Statement of Net Assets – Cash Basis	B – 1
Statement of Revenue, Expenses and Changes in Net Assets – Cash Basis	B – 2
Statement of Cash Flows – Cash Basis	B – 3
Notes to Financial Statements	C - 1

**OTHER INFORMATION REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	D - 1
Schedule of Findings	E - 1

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying cash basis financial statements of the business-type activities of the **Canadian County Educational Facilities Authority**, a component unit of Canadian County, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

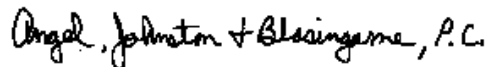
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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 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.

As described in Note 1, the Authority prepares its financial statements on a cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position-cash basis of the business-type activities of **Canadian County Educational Facilities Authority** as of June 30, 2012, and the respective changes in financial position-cash basis and cash flows-cash basis, thereof for the year then ended in conformity with the cash basis of accounting described in Note 1.

Canadian County Educational Facilities Authority
October 29, 2012

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2012, on our consideration of the Authority's internal control over financial reporting and 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.



Angel, Johnston & Blasingame, P.C.
Chickasha, Oklahoma
October 29, 2012

CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF NET ASSETS
CASH BASIS
For the Year Ended June 30, 2012

ASSETS

Current Assets	
Cash and cash equivalents	\$ 105,334.25
Investments	0.00
<i>Total Current Assets</i>	<u>105,334.25</u>
Non Current Assets	
Restricted cash and cash equivalents	0.00
Capital assets	0.00
<i>Total Non Current Assets</i>	<u>0.00</u>
<i>Total Assets</i>	<u>\$ 105,334.25</u>

LIABILITIES

Current Liabilities	
Due to other funds	0.00
Bonds, notes and loans payable	0.00
<i>Total Current Liabilities</i>	<u>0.00</u>
Non Current Liabilities	
Due to other funds	0.00
Bonds, notes and loans payable	0.00
<i>Total Non Current Liabilities</i>	<u>0.00</u>
<i>Total Liabilities</i>	<u>\$ 0.00</u>

NET ASSETS

Invested in Capital Assets net of Related Debt	0.00
Restricted	0.00
Unrestricted	105,334.25
<i>Total Net Assets</i>	<u>\$ 105,334.25</u>

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

CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND
NET ASSETS-CASH BASIS
For the Year Ended June 30, 2012

Operating Revenue:	
Administration Acceptance Fees	\$ 30,073.00
Reimbursement	<u>2,850.00</u>
<i>Total Operating Revenues</i>	<u><u>32,923.00</u></u>
Operating Expenses:	
Professional Services	<u>2,850.00</u>
<i>Total Operating Expenses</i>	<u><u>2,850.00</u></u>
<i>Income (Loss) from operations</i>	<u><u>30,073.00</u></u>
Non-Operating Revenue(Expense)	
Interest Income	<u>0.00</u>
<i>Total Non-Operating Revenues (Expense)</i>	<u><u>\$ 0.00</u></u>
Change in Net Assets	<u><u>\$ 30,073.00</u></u>
<i>Net Assets-Beginning of Year</i>	<u><u>75,261.25</u></u>
<i>Net Assets-End of Year</i>	<u><u>\$ 105,334.25</u></u>

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

CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS
CASH BASIS
For the Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received from bond customers	\$ 30,073.00
Other cash receipts	2,850.00
Cash payments for professional services	(2,850.00)
Cash payments for office expenses	<u>0.00</u>
<i>Net Cash provided (used) by operating activities</i>	<u>30,073.00</u>
Cash flows from non-capital and related financing activities:	
Transfers to other funds	<u>0.00</u>
<i>Net Cash provided (used) by non-capital financing activities</i>	<u>0.00</u>
Cash flows from investing activities:	
Cash invested	0.00
Investment income received	<u>0.00</u>
<i>Net Cash provided (used) by investing activities</i>	<u>0.00</u>
<i>Net Increase in Cash and Cash Equivalents</i>	30,073.00
<i>Beginning Cash and Cash Equivalents</i>	<u>0.00</u>
<i>Ending Cash and Cash Equivalents</i>	<u><u>\$ 30,073.00</u></u>
 Reconciliation of Operating Income to Net Income	
Provided by Operating Activities:	
Operating Income	\$ 30,073.00
Adjustments to reconcile operating income to net cash:	
Change in other liabilities	<u>0.00</u>
Net Cash provided by operating activities	<u><u>\$ 30,073.00</u></u>

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

Canadian County Educational Facilities Authority

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies

As discussed further in Note 1.C., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent with they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of these notes.

1.A. Financial Reporting Entity

Canadian County Educational Facilities Authority, a public trust, created August 3, 2009, for the benefit of Canadian County, Oklahoma, and an agency of the State of Oklahoma. The Authority was created under provisions of the Oklahoma statutes by a Declaration of Trust to furnish the Beneficiary with services and facilities, promote local industrial development, provide cultural and educational activities and facilities, and to assist in financing and constructing other facilities, all for the benefit of the 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. Budgetary comparison schedule is not presented.

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 however 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, the assets and liabilities would be recognized. In the long term debt information section additional information discloses the outstanding obligation, which the authority has facilitated.

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, the State Auditor's website.

Canadian County Educational Facilities Authority

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

1.A. Financial Reporting Entity (continued)

Related Organizations

Canadian County The Authority, organized in 2009, is a public trust created and established pursuant to the term of Title 60, Oklahoma Statutes 2001, Sections 176 to 180.3, inclusive, as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma and 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.

1.B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets display information about the reporting government as a whole. These statements generally distinguish between governmental and business-type activities. However, all the activities of the Authority are business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements – Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which, are comprised of each fund's assets, liabilities, net assets, revenues and expenditures/expenses. The funds are reported by generic classification within the financial statements. The funds of the financial reporting entity are described below:

The Authority has only one fund and it is a proprietary fund.

Proprietary Fund Types

Proprietary funds are 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.

Proprietary Fund

Brief Description

CCEFA

Account to defray the administrative and audit costs associated or attributable to the Beneficiary's educational facilities projects and other projects which are selected to promote the development of industry, cultural and educational activities within Canadian County, Oklahoma.

Canadian County Educational Facilities Authority

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

1.C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. This relates to the timing of revenues, expenditures/expenses regardless of the measurement focus applied. Measurement focus identifies which transactions and events should be recorded. In the governmental fund financial statements, a current financial resources measurement focus is applied.

The Authority prepares its financial statements using the cash basis of accounting. Under this basis, revenues and expenditures are recognized when they result from cash transactions. This method of accounting does not conform to generally accepted accounting principles. If the books of the Authority were maintained on the basis of accounting required by generally accepted accounting principles, the proprietary fund type would 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.

1.D. Assets, Liabilities and Equity

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Authority considers all cash in hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less to be cash and cash equivalents.

Note Receivable - The Authority has not issued any loans.

Equity Classifications – Equity is classified as net assets. Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legislation or restrictions by creditors, grantors, laws or regulations of other governments. The Authority's assets are unrestricted. If the Authority had restricted resources, the restricted resources would be applied first for an expense in which both restricted and unrestricted funds were available.

1.E. Revenues, Expenditures 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.

Expenditures/Expenses – Expenditures/expenses are reported by object or activity.

Canadian County Educational Facilities Authority

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

Note 2 – Detailed Notes on Cash and Investments

2.A Deposits and Investments, and Collateral

Deposits and Investments – The Authority does not have a written investment policy that limits its investment choices other than the limitations stated in *Oklahoma Statutes*. Public trusts created under O.S. Title 60, are not subject to investment limitations and are primarily governed by any restrictions in the trust and bond indenture.

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 does not have a written policy for custodial risk. At no time during the year did the Authority exceed the FDIC insurance level .

2.B Long-Term Debt

CCEFA- Conduit Debt – The Canadian County Educational Facilities Authority has the following conduit debt outstanding at June 30, 2012, in the form of Lease Revenue Bonds:

	<u>Original Issue</u>	<u>Outstanding June 30, 2012</u>
CCEFA – Mustang Public Schools	\$38,070,000.00	\$25,340,000.00
Total	<u>\$38,070,000.00</u>	<u>\$25,340,000.00</u>

This debt is considered non-commitment debt to the Authority since debt payments are made solely by Mustang Public Schools. Payments are made directly by Mustang Public Schools to Bancfirst, the Trustee. In the event of default by Mustang Public 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.

Note 3 - Concentrations and Contingencies

The Authority is dependent upon repayment of bonds solely from the beneficiary, if the beneficiary defaulted on the bond payment it would not have a significant impact on the Authority’s financial condition.

Canadian County Educational Facilities Authority

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

Note 4 – Risk Management

The Authority is exposed to various risks of loss related to torts, errors and omissions. At this time the Authority carries no surety bonds or other types of insurance. As the Authority has no capital assets it carries no property insurance.

Note 5 – Subsequent Events

The Authority entered into a lease purchase agreement and ground lease agreement with Elementary School District Number 162 (Maple Public Schools) on July 17, 2012. The financing arrangement was for \$2,988,000, to be used for renovations, construction, equipping and furnishing of school facilities. The conduit debt is non-recourse debt and the Authority will not recognize the debt as its liability. Maple Public Schools is responsible for the lease purchase liability.

The Authority facilitated a lease revenue bond issue for Independent School District Number 69 (Mustang Public Schools) on July 30, 2012. The lease revenue bonds were for \$97,305,000. This bond issue is non-recourse conduit debt and the Authority will not recognize the bond issue as its liability. Mustang Public Schools is responsible for the liability.

*Report on Internal Control
and Compliance*



**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 Trustees of
Canadian County Educational Facilities Authority
El Reno, Oklahoma 73036

We have audited the cash basis financial statements of the business-type activities of the Canadian County Educational Facilities Authority, a component unit of Canadian County, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 29, 2012. 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

Management of Canadian County Educational Facilities Authority, Canadian County, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Canadian County Educational 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 effectiveness of the Authority's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be 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 combination of deficiencies, in internal control such that there is a reasonable

Canadian County Educational Facilities Authority
October 29, 2012

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 12-01 to be a material weakness.

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*.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Authority's response and accordingly, we express no opinion on it.

This report is intended solely for the information of management, the governing board, all applicable state agencies, 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.

Angel, Johnston + Blasingame, P.C.

Angel, Johnston and Blasingame, P.C.
Certified Public Accountants
Chickasha, Oklahoma
October 29, 2012

Canadian County Educational Facilities Authority
Schedule of Findings
For the Year Ended June 30, 2012

12-01 *Criteria* – The segregation of duties and responsibilities between different individuals for custody of assets, record keeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity’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.