

*Independent Auditor's Report*

***Canadian County Educational Facilities Authority***

*Year Ending June 30, 2015*

**CANADIAN COUNTY EDUCATIONAL  
FACILITIES AUTHORITY  
EL RENO, OKLAHOMA  
June 30, 2015**

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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 Canadian County Educational Facilities Authority, Canadian County, Oklahoma, a component unit of Canadian County, as of and for the year ended June 30, 2015, 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**

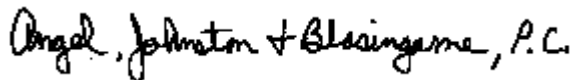
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the Canadian County Educational Facilities Authority as of June 30, 2015, and the respective changes in financial position-modified cash basis and cash flows-modified cash basis, thereof for the year then ended in conformity with the 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 30, 2015, 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 30, 2015

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY**  
**STATEMENT OF NET POSITION**  
**MODIFIED CASH BASIS**  
**June 30, 2015**

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 532,411.88
Investments	0.00
<i>Total Current Assets</i>	<u>\$ 532,411.88</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><u>\$ 532,411.88</u></u>

**LIABILITIES**

Current Liabilities	
Bonds, notes and loans payable	0.00
<i>Total Current Liabilities</i>	<u>\$ 0.00</u>
Long-term Liabilities	
Bonds, notes and loans payable	0.00
<i>Total Long-term Liabilities</i>	<u>\$ 0.00</u>
<i>Total Liabilities</i>	<u><u>\$ 0.00</u></u>

**NET POSITION**

Net Investment in Capital Assets	0.00
Restricted	0.00
Unrestricted	<u>532,411.88</u>
<i>Total Net Position</i>	<u><u>\$ 532,411.88</u></u>

\*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, 2015**

<b>Operating Revenues:</b>	
Administration Acceptance Fees	\$ 138,904.42
Reimbursements	<u>4,158.82</u>
<i>Total Operating Revenues</i>	<u>143,063.24</u>
<b>Operating Expenses:</b>	
Professional Services	6,712.50
Supplies	<u>0.00</u>
<i>Total Operating Expenses</i>	<u>\$ 6,712.50</u>
<i>Operating Income (Loss)</i>	<u>136,350.74</u>
<b>Non-Operating Revenues(Expenses)</b>	
Interest Income	<u>0.00</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>\$ 0.00</u>
Change in Net Position	<u>\$ 136,350.74</u>
<i>Net Assets-Beginning of Year</i>	<u>396,061.14</u>
<i>Net Assets-End of Year</i>	<u><u>\$ 532,411.88</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, 2015**

<b>Cash flows from operating activities:</b>	
Cash received from bond customers	\$ 138,904.42
Other cash receipts	4,158.82
Cash payments for professional services	(6,712.50)
Cash payments for other expenses	<u>0.00</u>
<i>Net Cash provided (used) by operating activities</i>	<u>136,350.74</u>
<b>Cash flows from non-capital and related financing activities:</b>	
Transfers to other funds	<u>0.00</u>
<i>Net Cash provided (used) by non-capital financing activities</i>	<u>0.00</u>
<b>Cash flows from capital and related financing activities:</b>	
Interest expense	0.00
Purchase of capital assets	<u>0.00</u>
<i>Net Cash provided (used) by capital financing activities</i>	<u>0.00</u>
<b>Cash flows from investing activities:</b>	
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>	136,350.74
<i>Beginning Cash and Cash Equivalents</i>	<u>396,061.14</u>
<i>Ending Cash and Cash Equivalents</i>	<u><u>\$ 532,411.88</u></u>
<b>Reconciliation of Operating Income to Net Income</b>	
<b>Provided by Operating Activities:</b>	
Operating Income	\$ 136,350.74
Adjustments to reconcile operating income to net cash:	
Change in other liabilities	<u>0.00</u>
Net Cash provided (used) by operating activities	<u><u>\$ 136,350.74</u></u>

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

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 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 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.

**Related Organizations**

Canadian County - Canadian County Educational Facilities Authority is a public trust, organized 2009. Canadian County is the beneficiary of the trust. The elected Canadian County commissioners are the Authority's trustees. The Authority's financials are material to Canadian County. 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 Trust 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 BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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 recorded regardless of the measurement focus applied.

The Authority's financial statements use the economic resources measurement focus and 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. In other words, revenue would be recognized when earned and expenses would be recorded when the liability is incurred or economic asset used.

**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 with maturities of three months or less to be cash and cash equivalents.

Notes Payable - Notes Payable to be repaid from the authority resources are reported as liabilities in the balance sheet. The Authority had no notes payable as of the balance sheet date.

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.”

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.

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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.

**1.F Estimates**

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management’s best judgments and may vary from actual results.

**Note 2 – Detailed Notes on Transaction Classes/Accounts**

**2.A. Cash and Investments**

Deposits and Investments - The Authority does not have a written investment policy that limits its investment choices. Investments are in compliance with Oklahoma statutes.

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. Exposure to custodial credit risk related to deposits exist when the Authority holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority’s name; or collateralized without an approved written collateral agreement. At June 30, 2015 the Authority was exposed to custodial credit risk as defined in the amount of \$32,411.88.

**2.B. Capital Assets**

The Authority does not have any capital assets to present.

**2.C. Long-Term Debt**

CCEFA- Conduit Debt – The Canadian County Educational Facilities Authority has the following conduit debt outstanding at June 30, 2015, in the form of Lease Revenue Bonds:

	<u>Original Issue</u>	<u>Outstanding June 30, 2015</u>
CCEFA- Mustang Public Schools (2009)	\$ 38,070,000	\$ 8,205,000
CCEFA- Mustang Public Schools (2012)	\$ 64,195,000	\$ 60,815,000
CCEFA- Calumet Public Schools (2013)	\$ 4,800,000	\$ 4,360,000
CCEFA- Calumet Public Schools (2015)	<u>\$ 5,070,000</u>	<u>\$ 5,070,000</u>
Total	\$112,135,000	\$ 78,450,000

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

The Canadian County Educational Facilities Authority has the following conduit debt outstanding at June 30, 2015, in the form of Lease Purchase Financing:

	<u>Original Issue</u>	<u>Outstanding June 30, 2015</u>
CCEFA- Maple Public Schools (2012)	\$ 2,988,000	\$ 2,495,286
CCEFA- El Reno Public Schools (2013)	\$33,050,000	\$ 31,675,779
CCEFA- Canadian Valley Technology Center (2013)	<u>\$ 9,950,000</u>	<u>\$ 9,277,114</u>
Total	\$45,988,000	\$ 43,448,179

The Canadian County Educational Facilities Authority has the following conduit debt outstanding at June 30, 2015, in the form of Lease Purchase Refinancing:

	<u>Original Issue</u>	<u>Outstanding June 30, 2015</u>
CCEFA- Canadian Valley Technology Center (2006)	\$ 6,816,686	\$ 5,043,502
CCEFA- Canadian Valley Technology Center (2007)	\$ 4,420,617	\$ 4,078,308
CCEFA- Canadian Valley Technology Center (2009)	<u>\$ 1,520,000</u>	<u>\$ 918,148</u>
Total	\$ 12,757,303	\$ 10,039,958

This debt is considered non-commitment debt to the Authority since debt payments are made solely by listed entities. Payments are made directly by the entities 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, 2015 was \$131,938,137.

**Note 3 - 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 4 - Commitments and Contingencies.**

The Authority is not involved with any legal proceedings, which normally occur in the course of governmental operations at this time. While legal proceedings cannot be foreseen, the Authority feels that any settlement or judgment would not have a material effect on the financial condition of the Authority.

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 4 - Commitments and Contingencies. (continued)**

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

**Note 5 – Subsequent Events**

On July 13, 2015, the Authority facilitated \$5,090,000 in lease revenue bonds for Union City Public School. This issue is also conduit 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 73036

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 accompanying modified cash basis financial statements of the Canadian County Educational Facilities Authority, a component unit of Canadian County, as of and for the year ended June 30, 2015, 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 30, 2015. 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 our opinions 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness 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.

*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 possibility that a material misstatement of the Authority'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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 15-01, 15-02.

### **Compliance and Other Matters**

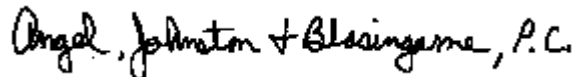
As part of obtaining reasonable assurance about whether Canadian County Educational Facilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which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

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

Canadian County Educational Facilities Authority's response to the finding 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 30, 2015

**Canadian County Educational Facilities Authority**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2015**

**15-01** *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.

**15-02** *Criteria* – Deposits that exceed FDIC insurance should have pledged collateral to secure the Authority’s deposits in the event of a bank failure.

*Condition* – The Authority did not have adequate collateral pledged to cover monies held at the bank not insured by FDIC. On June 30, 2015, \$32,411.88 was not insured by FDIC or collateralized.

*Cause* – This was identified as an audit finding in 2014 and was temporarily corrected by management. The bank balance exceeded collateral and FDIC insurance from May 2015.

*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 a 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 correct.