

Independent Auditor's Report

Canadian County Educational Facilities Authority

Year Ended June 30, 2018

**CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY
EL RENO, OKLAHOMA
June 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

The Honorable 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, a component unit of Canadian County, as of and for the year ended June 30, 2018, 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

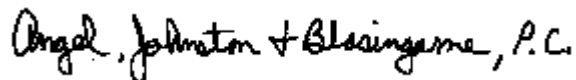
In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the business-type activities of the Canadian County Educational Facilities Authority, El Reno, Oklahoma as of June 30, 2018, and the changes in modified cash basis financial position, and its cash flows 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, which 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 this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, 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 solely 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 effectiveness of the Authority's 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.



Chickasha, Oklahoma
December 16, 2019

Basic Financial Statements

CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY
Statement of Net Position
Modified Cash Basis
June 30, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ <u>909,398</u>
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<i>Total Assets</i>	<u><u>909,398</u></u>
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LIABILITIES

<i>Total Liabilities</i>	<u><u>0</u></u>
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NET POSITION

Unrestricted	<u>909,398</u>
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<i>Total Net Position</i>	\$ <u><u>909,398</u></u>
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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, 2018

Operating Revenues	
Administration Acceptance Fees	\$ 187,692
Audit Reimbursements	1,802
<i>Total Operating Revenues</i>	<u>189,494</u>
Operating Expenses	
Professional Fees	1,000
Library Consortium	69,963
<i>Total Operating Expenses</i>	<u>70,963</u>
<i>Operating Income (Loss)</i>	<u>118,531</u>
Non-Operating Revenues (Expenses)	
<i>Total Non-Operating Revenues (Expenses)</i>	<u>-</u>
<i>Change in Net Position</i>	<u>118,531</u>
<i>Net Position - Beginning of Year</i>	<u>790,867</u>
<i>Net Position - End of Year</i>	<u><u>\$ 909,398</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, 2018

Cash flows from operating activities

Receipts from bond customers	\$	189,494
Payment to Library Consortium		(69,963)
Payment to vendors		(1,000)
<i>Net cash provided (used) by operating activities</i>		<u>118,531</u>
 <i>Net increase (decrease) in cash and cash equivalents</i>		 118,531
<i>Cash and cash equivalents at beginning of year</i>		<u>790,867</u>
<i>Cash and cash equivalents at end of year</i>	\$	<u><u>909,398</u></u>

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

Operating income (loss)	\$	<u>118,531</u>
 <i>Net cash provided by (used for) operating activities</i>	\$	<u><u>118,531</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, 2018

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, 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
For the Year Ended June 30, 2018

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 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- The Authority considers all cash on hand, demand deposits, 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 Basic Financial Statements

For the Year Ended June 30, 2018

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 Non-operating 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 – 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, but *Oklahoma Statutes* require collateral for all uninsured deposits of public trust funds in financial institutions. At June 30, 2018 the Authority was not exposed to custodial credit risk.

Note 3- Conduit Debt Obligations

CCEFA- Conduit Debt – The Canadian County Educational Facilities Authority has the following conduit debt outstanding at June 30, 2018, in the form of Lease Revenue Bonds:

	<u>Original Issue</u>	<u>Outstanding June 30, 2018</u>
CCEFA- Mustang Public Schools (2012)	\$ 64,195,000	\$ 49,160,000
CCEFA- Mustang Public Schools (2017)	\$138,300,000	\$138,300,000
CCEFA- Calumet Public Schools (2013)	\$ 4,800,000	\$ 3,010,000
CCEFA- Calumet Public Schools (2015)	\$ 5,070,000	\$ 3,110,000
CCEFA- Union City Public School (2015a)	\$ 4,855,000	\$ 4,855,000
CCEFA- Union City Public School (2015b)	\$ 235,000	\$ 10,000
Total	\$217,455,000	\$198,445,000

CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

Note 3- Conduit Debt Obligations, (continued)

The Canadian County Educational Facilities Authority has the following conduit debt outstanding at June 30, 2018, in the form of Lease Purchase Financing:

	<u>Original Issue</u>	<u>Outstanding June 30, 2018</u>
CCEFA- Maple Public Schools (2012)	\$ 2,988,000	\$ 1,981,801
CCEFA- El Reno Public Schools (2013)	\$ 33,050,000	\$ 26,065,955
CCEFA- Canadian Valley Technology Center (2013)	<u>\$ 9,950,000</u>	<u>\$ 8,445,007</u>
Total	\$ 45,988,000	\$ 36,492,763

The Canadian County Educational Facilities Authority has the following conduit debt outstanding at June 30, 2018, in the form of Lease Purchase Refinancing:

	<u>Original Issue</u>	<u>Outstanding June 30, 2018</u>
CCEFA- Canadian Valley Technology Center (2006)	\$ 6,816,686	\$ 1,431,024
CCEFA- Canadian Valley Technology Center (2007)	\$ 4,420,617	\$ 3,438,512
CCEFA- Canadian Valley Technology Center (2009)	\$ 1,520,000	\$ -
CCEFA – Canadian Valley Technology Center (2017)	\$ 25,000,000	\$ 24,987,313
CCEFA – Piedmont (2018)	<u>\$ 51,340,000</u>	<u>\$ 51,340,000</u>
Total	\$ 89,097,303	\$ 81,196,849

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, Union City, and Piedmont 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, 2018 was \$316,134,612.

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 school 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 Basic Financial Statements
For the Year Ended June 30, 2018

Note 5 – Subsequent Events

On January 22, 2019, the Board approved a distribution of \$967,176.29 to the schools, based on their participation levels, for the 2019 - 2020 Library Consortium.

On May 8, 2019, Canadian County Educational Facilities Authority facilitated Lease Revenue Bonds for Yukon Public Schools in the amount of \$16,960,000. This debt is conduit debt for Yukon Public Schools and therefore considered 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**

The Honorable 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, a component unit of Canadian County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, TBD. 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 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, El Reno, Oklahoma'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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in

internal control, in the accompanying schedule of findings and responses that we consider to be material weaknesses. 2018-001

Compliance and Other Matters

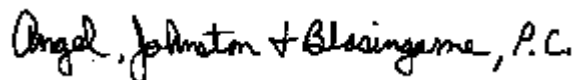
As part of obtaining reasonable assurance about whether Canadian County Educational Facilities Authority, El Reno, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 2018-001.

Canadian County Educational Facilities Authority, El Reno, Oklahoma's, Response to Findings

Canadian County Educational Facilities Authority, El Reno, Oklahoma's response to the findings identified in our audit are described in the attached corrective action plan. 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chickasha, Oklahoma
December 16, 2019

CANADIAN COUNTY EDUCATIONAL FACILITIES AUTHORITY
Schedule of Findings and Responses
For the Year Ended June 30, 2018

2018-001 *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 Authority’s assets and ensure accurate financial reporting.

Condition – Presently the same individual performs most accounting functions; receives cash, writes checks, reconciles the monthly bank statements and prepares monthly 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. This is a reoccurring finding.

Management response – See corrective action plan.

AUTHORITY'S CORRECTIVE ACTION PLAN

Canadian County Educational Facilities Authority ("CCEFA")

Corrective Action Plan:

Funds handled by the Authority and its staff consist of fees collected on new bond issues, annual administration fees on outstanding bond issues and reimbursements from school districts for their proportionate share of the annual audit expenses.

Fees on new bond issues are paid at the time of the closing and are calculated and coordinated by the Authority's financial advisor and bond counsel. Deposits of these fees are reconciled by Authority staff.

Invoices for annual administration fees on outstanding bond issues and invoices for reimbursements from school districts for their proportionate share of the annual audit expenses are prepared and submitted by an outside accounting firm. Both the accounting firm and Authority staff reconcile the invoiced amount with the deposits reflected on Authority bank statements.