

Cleveland County
Educational Facilities Authority

Financial Statements

June 30, 2010

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Cleveland County Educational Facilities Authority
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For the Fiscal Year Ended June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Cleveland County Educational Facilities Authority
Norman, Oklahoma

We have audited the accompanying statement of net assets of Cleveland County Educational Facilities Authority (a public trust and agency of the State of Oklahoma, a component unit of Cleveland County, Oklahoma) as June 30, 2010 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Cleveland County Educational Facilities 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cleveland County Educational Facilities Authority, as of June 30, 2010, and its changes in net assets, and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated March 15, 2016, on our consideration of Cleveland County Educational Facilities 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 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.

Management has omitted Management's Discussion and Analysis that accounting principles

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generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Cleveland County Educational Facilities Authority's basic financial statements. The accompanying supplementary information, as identified in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
March 15, 2016

Cleveland County Educational Facilities Authority
Statement of Net Assets
June 30, 2010

ASSETS

Current Assets

Cash and cash equivalent	\$ -
Due from related entity	<u>-</u>
Total current assets	<u>-</u>

Noncurrent assets

Restricted assets

Cash and cash equivalents	63,620,904
Deferred bond issuance costs net of accumulated amortization	1,128,882
Notes receivable	<u>275,309</u>
Total restricted assets	<u>65,025,095</u>

Total assets	<u>\$ 65,025,095</u>
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LIABILITIES

Current liabilities

Accrued interest payable	\$ 199,013
Current maturities of bonds payable	-
Current portion of unearned income	<u>-</u>
Total current liabilities	<u>199,013</u>

Noncurrent liabilities

Unearned Income less current portion	21,328
Bonds payable less current maturities	<u>64,963,463</u>
Total noncurrent liabilities	<u>64,984,791</u>

Total liabilities	<u>65,183,804</u>
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NET ASSETS

Unrestricted	-
Expendable	
Restricted for bond programs	<u>(158,709)</u>
Total net assets	<u>(158,709)</u>
Total liabilities and net assets	<u>\$ 65,025,095</u>

The notes to the financial statements are an integral part of this statement

Cleveland County Educational Facilities Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010

Operating revenues		
Participation fees		<u>\$ -</u>
Operating expenses		
Interest expense on bonds		135,191
Bond issuance cost and amortization		<u>23,518</u>
Total operating expenses		<u>158,709</u>
Operating (Loss)		(158,709)
Nonoperating revenues		
Investment income		<u>-</u>
Change in net assets		(158,709)
Net Assets, Beginning of Year		<u>-</u>
Net Assets, End of Year		<u><u>\$ (158,709)</u></u>

The notes to the financial statements are an integral part of this statement

Cleveland County Educational Facilities Authority
Statement of Cash Flows
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts of Fees	\$ -
Payments to vendors for trustee fees, janitorial and other	-
Net Cash Provided by Operating Activities	<u>-</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipt of bond proceeds	65,027,285
Payments of costs of issuance	(1,152,400)
Payments on bond program advances	(253,981)
Net Cash Provided by Noncapital Financing Activities	<u>63,620,904</u>
 Net Increase in Cash and Cash Equivalents	 63,620,904
 Cash and Cash Equivalents, Beginning of year	 -
Cash and Cash Equivalents, End of Year	<u>\$ 63,620,904</u>
 As reported on Statement of Net Assets	
Unrestricted	\$ -
Restricted	63,620,904
	<u>\$ 63,620,904</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Loss	\$ (158,709)
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by Operating Activities	
Amortization of costs of issuance	23,518
Interest expense on bonds	199,013
Amortization of bond premium and discount	(63,822)
Net Cash Provided by Operating Activities	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement

Cleveland County Educational Facilities Authority
Notes to Financial Statements
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Cleveland County Educational Facilities Authority (CCEFA) is a public trust and agency of the State of Oklahoma. It was created by a Trust Indenture dated June 2, 2003 designating certain individuals as Trustees of CCEFA for the use and benefit of Cleveland County, Oklahoma, (Beneficiary) under the provisions of Title 60, Oklahoma Statutes 1971, Sections 176 to 180.3 as amended, and the Oklahoma Trust Act. CCEFA is not organized for profit and no part of its net earnings may inure to the benefit of any private person.

CCEFA by virtue of common control and dependence is a component unit of Cleveland County, Oklahoma. The Board of County Commissioners appoints Trustees of CCEFA. The Trustees are citizens and residents of Cleveland County, as set forth in the Trust Indenture. Upon expiration of any Trustee's term in office, the appointment of a successor Trustee will be made by a majority vote of the Board of County Commissioners. The financial activities of Cleveland County and its other component units are not included in the financial statements of CCEFA.

Purposes of the Trust

- To function as an industrial trust to assist the Beneficiary, the State of Oklahoma, its governmental agencies 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 accord with the needs and benefit of the Beneficiary in order to lessen the burdens on government and to stimulate charitable, scientific, literary and educational economic development; to inventory the services, faculties and resources of the entire Beneficiary; to promote, stimulate, encourage and finance the growth and development of commerce, recreation, education and industry of the Beneficiary as a whole, all in order to achieve maximum utilization of the Beneficiary's human, charitable, scientific, literary, educational, economic, recreational, natural resources and tourist attractions; to foster and promote an industrial climate and the payroll of the Beneficiary
- To promote, develop, own, construct, lease and finance charitable, scientific, literary, or educational facilities including housing, of any sort or description constituting real and/or personal property
- To hold, maintain and administer any leasehold rights in and to physical properties demised to the Beneficiary and to comply with the terms and conditions of any such lease.

Cleveland County Educational Facilities Authority
Notes to Financial Statements
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Government Accounting Standards Board (GASB). Pursuant to the Authority's bond obligation resolutions, separate funds are established by each trustee bank to record all transactions relating to the Authority's programs financed under each resolution. Within each fund, there is a group of accounts required by the respective resolutions.

The individual funds consist of the Norman Public Schools Project 2010. The accounts of CCEFA are organized on the basis of various projects and the general fund. Each project was created as a separate entity of CCEFA. The operations of each project is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The bond program and the general fund have been presented on a combined basis because CCEFA is considered a single enterprise fund for financial reporting purposes.

Basis of Accounting

CCEFA accounts for its activities within a proprietary fund. CCEFA activities meet the definition of a proprietary fund because it is the intent of CCEFA to recover, primarily through user charges, the cost of providing goods or services to the general public.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net assets. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The accrual basis of accounting is utilized by the proprietary fund. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred. All applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements are followed.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cleveland County Educational Facilities Authority
Notes to Financial Statements
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

CCEFA has defined cash and cash equivalents to include demand deposits, cash with trustees and highly liquid investments with original maturities of three months or less.

Investments

The investments within the bond programs are generally restricted by the various bond resolutions as to authorized investments. Short-term investments are held in guaranteed investment contracts or money market accounts collateralized by government securities. These short-term investments are reported at cost, which approximates market values.

Bond Premium, Discount and Issuance Costs

Bond premiums, discounts and costs associated with bond issues are being amortized over the life of the bonds using the straight-line method.

Notes Receivable

Long-term lease agreements, which will result in the transfer of ownership of the facilities at the termination of the lease, are recognized as notes receivable.

Restrictions of Net Assets

The use of assets of each bond program fund is restricted by the related bond resolution. Certain amounts in the program funds are considered subject to the restriction that they may be applied to the financing of housing for the respective program purposes or to the retirement of obligations issued for such purposes. When CCEFA incurs and expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first.

Cleveland County Educational Facilities Authority
Notes to Financial Statements
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

These assets are recorded at cost and depreciated over a useful life of the assets on a straight-line basis. Maintenance and repairs are expenses as incurred.

Operating and Non-operating Revenues

Proprietary fund operating revenues result from exchange transactions related to the operations. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment income result from non-exchange transactions.

Budgetary Comparison

Budgetary comparison information is required to be presented for the general fund with legally adopted budget. CCEFA is not legally required to adopt a budget. Therefore, budget comparison information is not included in the Authority's financial statements.

II. CASH AND INVESTMENTS

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a bank failure, CCEFA's deposits may not be returned to it. CCEFA follows state law requiring collateral to manage custodial credit risk. CCEFA was not exposed to custodial credit risk as of June 30, 2010.

As of June 30, 2010, \$63,620,904 cash restricted for bonds consists of money market mutual funds held at trustee banks. These funds are classified as investments for purposes of GASB Statement 40 Deposit and Investment Risk Disclosure requirements and therefore are not subject to custodial credit risk. For presentation on the statement of net assets, these funds are classified as cash equivalents.

Cleveland County Educational Facilities Authority
Notes to Financial Statements
June 30, 2010

II. CASH AND INVESTMENTS (continued)

Concentration of Investment Credit Risk

CCEFA's investment are concentrated in money market mutual funds held by trustee banks that are not evidenced by securities; therefore they are not subject to custodial credit risk. The credit quality rating for the mutual funds was not available..

III. BONDS PAYABLE

Bonds issued by the various programs are generally payable in annual and semiannual installments and are subject to mandatory sinking fund requirements. These bonds are special obligations of CCEFA, payable solely from income and receipts of these indentures. The bonds are secured by mortgage loans and other assets of the respective indenture. The bonds are not general obligations of the issuer nor personal obligations of the members of the issuer, CCEFA, Cleveland County, or Norman Public Schools but are limited obligations payable solely from revenues specifically pledged to their payment.

Bonds and notes payable as of June 30, 2010, and changes for the fiscal year then ended are as follows:

Bond	Issued	Average Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in One Year
2010 Series (Norman Public Schools Project)	6/1/2010	3.83%	6/1/2014	\$ -	\$ 61,900,000	\$ -	\$ 61,900,000	\$ -
less deferred bond discount and premium				-	3,127,285	(63,822)	3,063,463	
				<u>\$ -</u>	<u>\$ 65,027,285</u>	<u>\$ (63,822)</u>	<u>\$ 64,963,463</u>	

Debt requirements on bonds payable as of June 30, 2010 are as follows:

	Principal and Interest	less Interest	Principal
2011	\$ 2,388,150	\$ (2,388,150)	\$ -
2012	19,958,150	(2,388,150)	17,570,000
2013	22,133,200	(1,773,200)	20,360,000
2014	24,928,800	(958,800)	23,970,000
	<u>\$ 69,408,300</u>	<u>\$ (7,508,300)</u>	<u>\$ 61,900,000</u>

Accrued interest payable and bond debt is payable from restricted assets. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgages. CCEFA is not obligated in any manner for repayment.

Cleveland County Educational Facilities Authority
Notes to Financial Statements
June 30, 2010

IV. NOTES RECEIVABLE

The following summarizes the minimum lease payments to be received from the various borrowers under the bond programs:

	Lease Revenue Bonds Series 2010 (Norman Public Schools Project)	<u>Total</u>
2011	\$ 2,458,000	\$ 2,458,000
2012	19,718,000	19,718,000
2013	21,778,000	21,778,000
2014	<u>24,473,000</u>	<u>24,473,000</u>
Total Minimum Lease Payments Receivable	68,427,000	68,427,000
Plus Deferred initial direct costs	1,128,882	1,128,882
Less Unearned Income	<u>(21,328)</u>	<u>(21,328)</u>
Net Investment in Lease Notes Receivable	<u>\$ 69,534,554</u>	<u>\$ 69,534,554</u>

Payments for each note are structured so as to be sufficient in timing and amount to meet the requirements of related debt. Each property transfers to the borrower at the end of the lease term. Unearned income is amortized to revenue using a constant periodic rate over the lease terms.

V. SUBSEQUENT EVENTS

Subsequent to June 30, 2010, the Authority has issued and/ or authorized the following lease revenue bonds:

Issued

Robin Hill Public Schools Project \$1,905,000
 Little Axe Public Schools Project \$7,005,000
 Lexington Public Schools Project \$3,270,000
 Moore Public Schools Project \$65,625,000
 Norman Public Schools Project \$91,850,000

Authorized

Moore Public Schools Project Not to exceed \$115,000,000

Supplementary Information

Cleveland County Educational Facilities Authority
 Supplemental Combining Schedule of Net Assets
 June 30, 2010

	Lease Revenue Bonds Series 2010 (Norman Public Schools Project)	Agency General Fund	Combined Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current Assets			
Cash and Cash Equivalent	\$ -	\$ -	\$ -
Due from Related Entity	-	-	-
Total current assets	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	\$ 63,620,904	\$ -	\$ 63,620,904
Deferred bond insurance costs net of accumulated amortization	1,128,882	-	1,128,882
Notes receivable	275,309	-	275,309
Total restricted assets	<u>65,025,095</u>	<u>-</u>	<u>65,025,095</u>
Total assets	<u>65,025,095</u>	<u>\$ -</u>	<u>\$ 65,025,095</u>
LIABILITIES			
Current liabilities			
Accrued interest payable	\$ 199,013	\$ -	\$ 199,013
Current maturities of bonds payable	-	-	-
Current portion of unearned income	-	-	-
Total current liabilities	<u>199,013</u>	<u>-</u>	<u>199,013</u>
Noncurrent liabilities			
Unearned Income less current portion	21,328	-	21,328
Bonds payable less current maturities	64,963,463	-	64,963,463
Total noncurrent liabilities	<u>64,984,791</u>	<u>-</u>	<u>64,984,791</u>
Total liabilities	<u>65,183,804</u>	<u>-</u>	<u>65,183,804</u>
NET ASSETS			
Unrestricted	-	-	-
Restricted for bond programs	(158,709)	-	(158,709)
Total net assets	<u>(158,709)</u>	<u>-</u>	<u>(158,709)</u>
Total liabilities and net assets	<u>\$ 65,025,095</u>	<u>\$ -</u>	<u>\$ 65,025,095</u>

Cleveland County Educational Facilities Authority
 Supplemental Combining Schedule of Revenues, Expenses and Changes in Net Assets
 For the Year Ended June 30, 2010

	Lease Revenue Bonds Series 2010 (Norman Public Schools Project)	Agency General Fund	Combined Totals
Operating revenues			
Participation fees	\$ -	\$ -	\$ -
Total Operating Income	-	-	-
Operating expenses			
Interest expense on bonds	135,191	-	135,191
Bond issuance cost and amortization	23,518	-	23,518
Total operating expenses	158,709	-	158,709
Operating Income (Loss)	(158,709)	-	(158,709)
Nonoperating revenues			
Investment income	-	-	-
CHANGE IN NET ASSETS	(158,709)	-	(158,709)
NET ASSETS, BEGINNING OF YEAR	-	-	-
NET ASSETS, END OF YEAR	(158,709)	\$ -	\$ (158,709)

**INDEPENDENT AUDITOR'S 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*

Board of Trustees
Cleveland County Educational Facilities Authority
Norman, Oklahoma

We have audited the financial statements of Cleveland County Educational Facilities Authority as of and for the year ended June 30, 2010, and have issued our report thereon dated March 15, 2016. Our report included a paragraph indicating that management omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Our opinion on the basic financial statements was not affected by this missing information. 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

In planning and performing our audit, we considered Cleveland County Educational Facilities Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cleveland County Educational Facilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cleveland County Educational Facilities Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not

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identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cleveland 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*.

This report is intended solely for the information and use of the board of trustees, management and the State of Oklahoma auditor and inspector, Cleveland County and bond holders and is not intended to be and should not be used by anyone other than these specified parties.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
March 15, 2016