

**Cleveland County**  
**Educational Facilities Authority**

Financial Statements  
June 30, 2013

Cleveland County Educational Facilities Authority  
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For the Fiscal Year Ended June 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying modified cash basis statement of net position 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, 2013 and the related statements of revenues, expenses and changes in net position for the year then ended, 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 I.; this includes determining that the modified cash basis of accounting is an acceptable basis for the 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 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 from 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 entity'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 entity'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 opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the Cleveland County Educational Facilities Authority, as of June 30, 2013, and its changes in modified cash basis financial position for the year then ended in accordance with modified cash basis of accounting as described in Note I.

## **Basis of Accounting**

We draw attention to Note I 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 other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Prior Year Basis of Accounting**

The Authority prepared its financial statements for the previous year on accounting principles generally accepted in the United States of America. The Authority has kept its accounting records on the modified cash basis. As described in Note IV to the financial statements, the Authority has adopted the modified cash basis for financial reporting as of the beginning of the current year. Our opinion is not modified with respect to that matter.

## **Other Matters**

### ***Other 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 schedule of conduit debt 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplement schedule of conduit debt is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have issued our report dated August 11, 2020, 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 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 Cleveland County Educational Facilities 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.

*Mary E Johnson & Associates PLLC*

Ardmore, Oklahoma  
August 11, 2020

Cleveland County Educational Facilities Authority  
Statement of Net Position – Modified Cash Basis  
June 30, 2013

**ASSETS**

Current Assets

Cash and cash equivalent	\$ 178,334
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Total current assets	<u>178,334</u>
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Total assets	<u><u>\$ 178,334</u></u>
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**NET POSITION**

Unrestricted	<u>\$ 178,334</u>
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Total net position	<u><u>\$ 178,334</u></u>
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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 Position – Modified Cash Basis  
For the Year Ended June 30, 2013

Operating revenues	
Participation fees	\$     70,572
Operating expenses	
Professional fees	<u>          950</u>
Change in net assets	69,622
Net Position, Beginning of Year, restated	<u>108,712</u>
Net Position, End of Year	<u><u>\$   178,334</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, 2013

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, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Basis of Accounting*

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles (GAAP) as established by Governmental Accounting Standards Board (GASB). This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include related entity receivables, purchased capital assets and related depreciation and liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues and certain liabilities and their related expenses are not recorded in the financial statements. In addition, other economic assets, deferred outflows, liabilities and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

*Measurement Focus*

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 within the limitations of the modified cash basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position within the limitations of modified cash basis. The accounting objectives of this measurement focus are the determination of operating income, changes in net position and net financial position.

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, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Use of Estimates*

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosures. 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. Authorized investments include cash, obligations of the U.S. government, agency or instrumentality that are backed by the full faith and credit of the U.S., Certificates of deposit of any bank whose short-term debt obligations are rated A-1 by S&P or P-1 by Moody's and mature no more than 360 days after purchase, money market funds rated AAAM or AAM-G by S&P. 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 as allowed by GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

*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.

Cleveland County Educational Facilities Authority  
Notes to Financial Statements  
June 30, 2013

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, 2013.

*Concentration of Investment Credit Risk*

The Authority places no limit on the amount that may be invested in one issuer.

III. CONDUIT DEBT OBLIGATIONS

The Authority has issued education facility bonds that meet the definition of a conduit debt obligation to finance construction of projects by public schools. The properties financed by the bond proceeds are pledged as collateral on the bonds. The public schools are the obligors under the underlying mortgage loans or promissory notes. The bonds are payable solely from payments received from the obligors on the loans. In addition, no commitments beyond the collateral the payments from the obligors and maintenance of the tax-exempt status of the conduit debt obligations were extended by the Authority for any of these bonds. At June 30, 2013, the bonds have an aggregate outstanding principal amount payable of \$35,935,000.

IV. CHANGE IN ACCOUNTING PRINCIPLES

At the beginning of 2013, the Authority changed its financial reporting basis to the modified cash basis from accounting principles generally accepted in the United State of America. This basis of accounting more closely matches the basis used to maintain financial records.

Also the Authority did early implemented of Governmental Accounting Standards Board (GASB) Statement No. 91 *Conduit Debt Obligations*. The primary objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligations is not a liability of the issuer; establishing standards of accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB 91 also addresses arrangements, often characterized as leases that are associated with conduit debt obligations. Issuers should not report these arrangements as leases nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to the arrangements. The Authority has early implemented this standard and restated beginning net position.

Cleveland County Educational Facilities Authority  
Notes to Financial Statements  
June 30, 2013

IV. CHANGE IN ACCOUNTING PRINCIPLES – (CONTINUED)

The effects of these changes in accounting principles are noted below:

	<b>Per Audit 6/30/2012</b>	<b>Adjustments</b>	<b>Restated 6/30/2012</b>
Current Assets			
Cash and cash equivalent	\$ 108,712	-	\$ 108,712
Participation fees receivable	37,902	(37,902)	-
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	27,152,117	(27,152,117)	-
Deferred bond issuance costs net of ac	897,503	(897,503)	-
Notes receivable	29,092,763	(29,092,763)	-
Current liabilities			
Accrued interest payable	\$ 266,345	\$ (266,345)	\$ -
Current maturities of bonds payable	20,575,000	(20,575,000)	-
Current portion of unearned income	1,497,861	(1,497,861)	-
Noncurrent liabilities			
Unearned income less current portion	971,169	(971,169)	-
Bonds payable less current maturities	34,174,333	(34,174,333)	-
Net Position Unrestricted	\$ (195,711)	\$ 304,423	\$ 108,712

V. SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the Authority has issued the following conduit debt series:

Issued:

Moore School Series 2013	September 2013	\$65,625,000
Norman Schools Series 2014	June 2014	\$91,850,000
Moore School Series 2016	March 2016	\$103,045,000
Little Axe Series 2016	May 2016	\$4,600,000
Noble School Series 2017	August 2017	\$28,605,000
Lexington Series 2019	May 2019	\$7,840,000
Norman Schools Series 2019	June 2019	\$117,550,000

## **Supplementary Information**

Cleveland County Educational Facilities Authority  
Supplemental Schedule of Conduit Debt  
June 30, 2013

Conduit Debt	Issued	Average Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance
Norman Public Schools Project 2010 Series	6/1/2010	3.83%	6/1/2014	\$ 44,330,000	\$ -	\$ 20,360,000	\$ 23,970,000
Robin Hill Public Schools Project 2010 Series	9/1/2010	3.23%	9/1/2022	1,905,000	-	215,000	1,690,000
Little Axe Public Schools Project 2011 Series	12/1/2011	4.21%	9/1/2023	7,005,000	-	-	7,005,000
Lexington Public Schools Project 2012 Series	11/1/2012	2.00%	9/1/2017	-	3,270,000	-	3,270,000
				<u>\$ 53,240,000</u>	<u>\$ 3,270,000</u>	<u>\$ 20,575,000</u>	<u>\$ 35,935,000</u>

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cleveland County Educational Facilities Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Cleveland County Educational Facilities Authority's basic financial statements, and have issued our report thereon August 11, 2020. Our report included an emphasis of matter paragraph indicating that the financial statements were prepared on the modified cash basis of accounting. Our opinion on the basic financial statements was not affected by this matter.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cleveland 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 opinion 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.

*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. 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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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*.

### **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 provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mary E Johnson & Associates PLLC*

Ardmore, Oklahoma  
August 11, 2020