

**Cleveland County**  
**Public Facilities Authority**

Financial Statements

June 30, 2012

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Cleveland County Public Facilities Authority  
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For the Fiscal Year Ended June 30, 2012

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of net assets of Cleveland County Public Facilities Authority (a public trust and agency of the State of Oklahoma, a component unit of Cleveland County, Oklahoma) as June 30, 2012 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 Public 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 Public Facilities Authority, as of June 30, 2012, 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 May 9, 2014, on our consideration of Cleveland County Public 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 Public 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  
May 9, 2014

Cleveland County Public Facilities Authority  
Statement of Net Assets  
June 30, 2012

**ASSETS**

|  |                      |
|--|----------------------|
| Current Assets   |                      |
| Cash and cash equivalent                                     | \$ 46,517            |
| Due from related entity                                      | <u>4,157</u>         |
| Total current assets   | <u>50,674</u>        |
| Noncurrent assets  |                      |
| Restricted assets  |                      |
| Cash and cash equivalents                                    | 1,768,087            |
| Investments  | 575,250              |
| Deferred bond issuance costs net of accumulated amortization | 689,518              |
| Surety bond  | 1,535,590            |
| Notes receivable   | <u>23,439,567</u>    |
| Total restricted assets                                      | <u>28,008,012</u>    |
| Capital assets   |                      |
| Capital assets not being depreciated                         | 228,400              |
| Capital assets being depreciated, net                        | <u>525,021</u>       |
| Total capital assets, net                                    | <u>753,421</u>       |
| Total assets   | <u>\$ 28,812,107</u> |

**LIABILITIES**

|                                       |                   |
|---------------------------------------|-------------------|
| Current liabilities                   |                   |
| Accrued interest payable              | 151,000           |
| Current maturities of bonds payable   | 3,920,900         |
| Current portion of unearned income    | <u>678,412</u>    |
| Total current liabilities             | <u>4,750,312</u>  |
| Noncurrent liabilities                |                   |
| Unearned income less current portion  | 2,788,853         |
| Bonds payable less current maturities | <u>18,697,801</u> |
| Total noncurrent liabilities          | <u>21,486,654</u> |
| Total liabilities                     | <u>26,236,966</u> |

**NET ASSETS**

|                                  |                      |
|----------------------------------|----------------------|
| Net investment in capital assets | 753,421              |
| Unrestricted                     | 50,674               |
| Expendable                       |                      |
| Restricted for bond programs     | <u>1,771,046</u>     |
| Total net assets                 | <u>2,575,141</u>     |
| Total liabilities and net assets | <u>\$ 28,812,107</u> |

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

Cleveland County Public Facilities Authority  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2012

|                                     |                            |
|-------------------------------------|----------------------------|
| Operating revenues                  |                            |
| Participation fees                  | <u>\$ 1,050,079</u>        |
| Operating expenses                  |                            |
| Interest expense on bonds           | 849,564                    |
| Depreciation                        | 21,335                     |
| Bond issuance cost and amortization | 138,333                    |
| General and administrative          | 27,686                     |
| Janitorial                          | 21,720                     |
| Professional fees                   | <u>42,329</u>              |
| Total operating expenses            | <u>1,100,967</u>           |
| Operating (Loss)                    | (50,888)                   |
| Nonoperating revenues               |                            |
| Investment income                   | <u>33,422</u>              |
| Change in net assets                | (17,466)                   |
| Net Assets, Beginning of Year       | <u>2,592,607</u>           |
| Net Assets, End of Year             | <u><u>\$ 2,575,141</u></u> |

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

Cleveland County Public Facilities Authority  
Statement of Cash Flows  
For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

|  |                 |
|--|-----------------|
| Receipts of Fees   | \$ 70,015       |
| Payments to vendors for trustee fees, janitorial and other | (95,378)        |
| Net Cash Used by Operating Activities                      | <u>(25,363)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

|  |                    |
|--|--------------------|
| Principal paid on noncapital debt                | (7,160,000)        |
| Interest paid on noncapital debt                 | (900,133)          |
| Receipt of lease payments on notes receivable    | 7,505,067          |
| Payments of costs of issuance                    | (73,868)           |
| Payments on bond program advances                | (2,821,830)        |
| Net Cash Used by Noncapital Financing Activities | <u>(3,450,764)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

|   |                |
|---|----------------|
| Receipt of interest on investments        | 37,322         |
| Sale of investments                       | 519,815        |
| Net Cash Provided by Investing Activities | <u>557,137</u> |

|  |                     |
|--|---------------------|
| Net Decrease in Cash and Cash Equivalents    | (2,918,990)         |
| Cash and Cash Equivalents, Beginning of year | 4,733,594           |
| Cash and Cash Equivalents, End of Year       | <u>\$ 1,814,604</u> |

As reported on Statement of Net Assets

|              |                     |
|--------------|---------------------|
| Unrestricted | \$ 46,517           |
| Restricted   | 1,768,087           |
|              | <u>\$ 1,814,604</u> |

**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities**

|   |                    |
|---|--------------------|
| Operating Loss  | \$ (50,888)        |
| Adjustments to Reconcile Operating Income to<br>Net Cash Provided by Operating Activities |                    |
| Depreciation  | 21,335             |
| Amortization of costs of issuance   | 138,334            |
| Interest expense on bonds   | 821,125            |
| Amortization of bond premium and discount   | 28,439             |
| Participation fees for note receivable payments   | (980,064)          |
| Net Cash Used by Operating Activities   | <u>\$ (25,363)</u> |

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

Cleveland County Public Facilities Authority  
Notes to Financial Statements  
June 30, 2012

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Operations*

The Cleveland County Public Facilities Authority (CCPFA) is a public trust and agency of the State of Oklahoma. It was created by a Trust Indenture dated September 29, 1980 and an amended Trust Indenture date as of July 22, 1982 and May 6, 1985 designating certain individuals as Trustees of CCPFA 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. CCPFA is not organized for profit and no part of its net earnings may inure to the benefit of any private person.

CCPFA by virtue of common control and dependence is a component unit of Cleveland County, Oklahoma. The Board of County Commissioners appoints Trustees of CCPFA. 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 CCPFA.

*Purposes of the Trust*

- To promote and assist the Beneficiary, its Governmental Agencies and private entities, agencies and citizens in making the most efficient use of all their resources and powers in providing, constructing, expanding, improving, operating and maintaining buildings and facilities for public use or benefit of whatever nature including, but without limitation to courthouse, jail, detention, social and rehabilitative service facilities, fairgrounds, unemployment offices and facilities, welfare facilities, geriatric facilities and rest homes or other governmental buildings and facilities included within and without the territorial limits of the Beneficiary in the furtherance of the promotion of the public safety, health and welfare of the residents of the Beneficiary.
- To plan, finance, acquire, construct, reconstruct, extend, lease, purchase, install, equip, maintain, repair, enlarge, remodel, and operate buildings, utilities and other facilities for the use by the United States of America or the State of Oklahoma, or for use by authorities or agencies of these entities or of any municipality or other political subdivision thereof or for the use of corporations, individuals, partnerships, associations or proprietary companies.
- 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 Public Facilities Authority  
Notes to Financial Statements  
June 30, 2012

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 Hunt Apartments Project, Cleveland County Health Department Project and Moor Norman Technology Center Project. The accounts of CCPFA are organized on the basis of various projects and the general fund. Each project was created as a separate entity of CCPFA. 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 CCPFA is considered a single enterprise fund for financial reporting purposes.

*Basis of Accounting*

CCPFA accounts for its activities within a proprietary fund. CCPFA activities meet the definition of a proprietary fund because it is the intent of CCPFA 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.

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 Public Facilities Authority  
Notes to Financial Statements  
June 30, 2012

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*

CCPFA 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 CCPFA incurs and expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first.

Cleveland County Public Facilities Authority  
Notes to Financial Statements  
June 30, 2012

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. CCPFA 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, CCPFA's deposits may not be returned to it. CCPFA does not have a policy for custodial credit risk. CCPFA was not exposed to custodial credit risk as of June 30, 2012.

As of June 30, 2012, \$1,768,087 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 Public Facilities Authority  
Notes to Financial Statements  
June 30, 2012

II. CASH AND INVESTMENTS (continued)

*Concentration of Investment Credit Risk*

CCPFA's investment are concentrated in money market mutual funds and guaranteed investment contracts 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. The guaranteed investment contract is rated A2 by Moody's as of June 30, 2012.

*Investment Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will reduce the fair value of a government's investments. The longer the period until an investment matures, the greater the negative impact that changes in interest rates can have on fair value. CCPFA does not have a policy to manage exposure. The guaranteed investment contract matures as follows:

|                 | Rate  | Maturity          | Fair Market<br>Value     |
|-----------------|-------|-------------------|--------------------------|
| Credit Agricole | 4.99% | September 1, 2021 | \$ 575,250               |
|                 |       |                   | <u><u>\$ 575,250</u></u> |

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 CCPFA, 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, CCPFA, Cleveland County, Moore Norman Technology Center, Cleveland County Health Department or Lexington Public Schools but are limited obligations payable solely from revenues specifically pledged to their payment.

Cleveland County Public Facilities Authority  
Notes to Financial Statements  
June 30, 2012

III. BONDS PAYABLE (continued)

Bonds and notes payable as of June 30, 2012, and changes for the fiscal year then ended are as follows:

| Bond  | Issued    | Average<br>Interest<br>Rate | Maturity  | Beginning<br>Balance | Additions           | Reductions          | Ending<br>Balance    | Amount Due<br>in One Year |
|---|-----------|-----------------------------|-----------|----------------------|---------------------|---------------------|----------------------|---------------------------|
| 2000 Series (Cleveland County Health Department)          | 11/1/2001 | 3.49%                       | 11/1/2021 | \$ 3,690,000         | \$ -                | \$ 3,690,000        | \$ -                 | \$ -                      |
| 2011 Refunded Series (Cleveland County Health Department) | 11/1/2011 | 2.00%                       | 11/1/2015 | -                    | 1,185,000           | -                   | 1,185,000            | 285,000                   |
| 2002 Series (Moore Norman Technology Center Project)      | 12/1/2002 | 3.40%                       | 12/1/2012 | 2,915,000            | -                   | 1,435,000           | 1,480,000            | 1,480,000                 |
| 2007 Series (Lexington Public Schools Project)            | 7/1/2007  | 4.25%                       | 9/1/2021  | 4,665,000            | -                   | 490,000             | 4,175,000            | 530,000                   |
| 2009 Series (Health Department Project)                   | 3/1/2009  | 3.69%                       | 9/1/2029  | 3,035,000            | -                   | 115,000             | 2,920,000            | 110,000                   |
| 2009 Series (Moore Norman Technology Center Project)      | 9/30/2009 | 4.25%                       | 12/1/2019 | 14,145,000           | -                   | 1,430,000           | 12,715,000           | 1,455,000                 |
|   |           |                             |           | 28,450,000           | 1,185,000           | 7,160,000           | 22,475,000           | \$ 3,860,000              |
| plus deferred refunding                                   |           |                             |           | -                    | 194,030             | 36,619              | 157,411              | 65,730                    |
| less deferred bond discount and premium                   |           |                             |           | (42,148)             | 19,567              | 8,871               | (13,710)             | (4,830)                   |
|   |           |                             |           | <u>\$ 28,407,852</u> | <u>\$ 1,398,597</u> | <u>\$ 7,205,490</u> | <u>\$ 22,618,701</u> | <u>\$ 3,920,900</u>       |

Debt requirements on bonds payable as of June 30, 2012 are as follows:

|           | Principal and<br>Interest | less Interest         | Principal            |
|-----------|---------------------------|-----------------------|----------------------|
| 2013      | 4,715,553                 | (855,553)             | \$ 3,860,000         |
| 2014      | 3,142,247                 | (747,247)             | 2,395,000            |
| 2015      | 3,169,472                 | (679,472)             | 2,490,000            |
| 2016      | 3,089,325                 | (599,325)             | 2,490,000            |
| 2017      | 2,758,612                 | (503,612)             | 2,255,000            |
| 2018-2022 | 8,241,413                 | (1,156,413)           | 7,085,000            |
| 2023-2027 | 1,205,733                 | (370,733)             | 835,000              |
| 2028-2029 | 1,176,078                 | (111,078)             | 1,065,000            |
|           | <u>\$ 27,498,433</u>      | <u>\$ (5,023,433)</u> | <u>\$ 22,475,000</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. CCPFA is not obligated in any manner for repayment.

The 2002 bonds were paid off in December, 2012.

Cleveland County Public Facilities Authority  
Notes to Financial Statements  
June 30, 2012

IV. NOTES RECEIVABLE

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

|  | Lease Revenue<br>Refunded<br>Series 2011<br>(Health Dept.) | Educational<br>Facilities<br>2002 Series<br>(Tech Center) | Educational<br>Facilities 2007<br>Series<br>(Lexington<br>Public Schools) | County<br>Health<br>Department<br>2009 Series<br>(Moore<br>Health Dept) | Educational<br>Facilities 2009<br>Series<br>(Tech Center) | Total                |
|--|--|---|---|---|---|----------------------|
| 2013                                     | 305,850  | 765,900   | 638,250   | \$ 248,000  | 1,804,585   | \$ 3,762,585         |
| 2014                                     | 310,050  | -   | 658,050   | 248,000   | 1,805,872   | 3,021,972            |
| 2015                                     | 309,100  | -   | -   | 248,000   | 1,806,811   | 2,363,911            |
| 2016                                     | 308,050  | -   | 677,850   | 248,000   | 1,809,595   | 3,043,495            |
| 2017                                     | -  | -   | 697,650   | 248,000   | 1,810,038   | 2,755,688            |
| Thereafter                               | -  | -   | 1,692,887   | 2,746,822   | 4,052,207   | 8,491,916            |
| Total Minimum Lease Payments Receivable  | 1,233,050  | 765,900   | 4,364,687   | 3,986,822   | 13,089,108  | 23,439,567           |
| Plus Deferred initial direct costs       | 60,300   | 19,245  | 165,024   | 86,992  | 357,957   | 689,518              |
| Less Unearned Income                     | (48,050)   | (16,186)  | (599,513)   | (1,326,419)   | (1,477,097)   | (3,467,265)          |
| Net Investment in Lease Notes Receivable | <u>\$ 1,245,300</u>  | <u>\$ 768,959</u>   | <u>\$ 3,930,198</u>   | <u>\$ 2,747,395</u>   | <u>\$ 11,969,968</u>                                      | <u>\$ 20,661,820</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. CAPITAL ASSETS

As of June 30, 2012, capital assets consisted of the following:

|  | Beginning<br>Balance | Increases          | Decreases   | Ending<br>Balance |
|--|----------------------|--------------------|-------------|-------------------|
| <i>Capital assets, not being depreciated</i> |                      |                    |             |                   |
| Land   | \$ 228,400           | \$ -               | \$ -        | \$ 228,400        |
| Total capital assets, not being depreciated  | <u>228,400</u>       | <u>-</u>           | <u>-</u>    | <u>228,400</u>    |
| <i>Capital assets, being depreciated</i>     |                      |                    |             |                   |
| Building                                     | 1,068,386            | -                  | -           | 1,068,386         |
| Less Accumulated Depreciation                | <u>(522,030)</u>     | <u>(21,335)</u>    |             | <u>(543,365)</u>  |
| Total capital assets, being depreciated, net | <u>546,356</u>       | <u>(21,335)</u>    | <u>-</u>    | <u>525,021</u>    |
| Governmental activities capital assets, net  | <u>\$ 774,756</u>    | <u>\$ (21,335)</u> | <u>\$ -</u> | <u>\$ 753,421</u> |

Cleveland County Public Facilities Authority  
Notes to Financial Statements  
June 30, 2012

VI. DEBT REFUNDING

On November, 2011, the Authority issued \$1.85 million in lease revenue refunding bonds with interest rate of 2%. The Authority issued the bonds to refund \$3.69 million of the outstanding Rural Enterprises fixed rate 2000 revenue bonds with interest rates ranging between 2.3% to 5%. The new issue will reduce debt service payments \$1,546,535 with an economic gain of \$488,985.

VII. SUBSEQUENT EVENT

On November, 2012, the Authority defeased \$3.65 million 2007 Issue (Lexington Schools Project) with funds from the Cleveland County Educational Authority. The Cleveland County Educational Authority issued bonds in the amount of \$3.27 million to defease these bonds.

Effective June 30, 2013, the Cleveland County Facilities Authority ceased to exist and all activity was transferred to CCPFA. The combination is a continuing merger as one entity ceases to exist and the other carries on the activities of both entities. All assets were transferred to CCPFA and recognized at carrying value. Cleveland County Facilities Authority was clear of any receivables or liabilities at the time of closure.

## **Supplementary Information**



**Cleveland County Public Facilities Authority**  
**Supplemental Combining Schedule of Net Assets**  
**June 30, 2012**

|   | Lease<br>Revenue<br>Refunding<br>2011 Series B<br>(County Health<br>Dept.) | Educational<br>Facilities 2002<br>Series<br>(Tech Center) | Educational<br>Facilities 2007<br>Series<br>(Lexington<br>Public<br>Schools) | County Health<br>Department<br>2009 Series<br>(Moore Health<br>Dept) | Educational<br>Facilities 2009<br>Series<br>(Tech Center) | Agency<br>General<br>Fund | Combined<br>Totals |
|---|--|---|--|--|---|---------------------------|--------------------|
| <b>ASSETS</b>   |  |   |  |  |   |                           |                    |
| Current Assets  |  |   |  |  |   |                           |                    |
| Cash and Cash Equivalent                                      | \$ -   | \$ -  | \$ -   | \$ -   | \$ -  | \$ 46,517                 | \$ 46,517          |
| Due from Related Entity                                       | -  | -   | -  | -  | -   | 4,157                     | 4,157              |
| Total current assets  | -  | -   | -  | -  | -   | 50,674                    | 50,674             |
| Noncurrent assets   |  |   |  |  |   |                           |                    |
| Restricted assets   |  |   |  |  |   |                           |                    |
| Cash and cash equivalents                                     | -  | 741,067   | 12,538   | 273,392  | 741,090   | -                         | 1,768,087          |
| Investments   | -  | -   | 575,250  | -  | -   | -                         | 575,250            |
| Accrued interest receivable                                   | -  | -   | -  | -  | -   | -                         | -                  |
| Deferred bond insurance costs net of accumulated amortization | 60,300   | 19,245  | 165,024  | 86,992   | 357,957   | -                         | 689,518            |
| Surety bond   | -  | 1,535,590   | -  | -  | -   | -                         | 1,535,590          |
| Notes receivable  | 1,233,050  | 765,900   | 4,364,687  | 3,986,822  | 13,089,108  | -                         | 23,439,567         |
| Total restricted assets                                       | 1,293,350  | 3,061,802   | 5,117,499  | 4,347,206  | 14,188,155  | -                         | 28,008,012         |
| Capital assets  |  |   |  |  |   |                           |                    |
| Capital assets not being depreciated                          | -  | -   | -  | -  | -   | 228,400                   | 228,400            |
| Capital assets being depreciated, net                         | -  | -   | -  | -  | -   | 525,021                   | 525,021            |
| Total capital assets, net                                     | -  | -   | -  | -  | -   | 753,421                   | 753,421            |
| Total assets  | \$ 1,293,350   | \$ 3,061,802  | \$ 5,117,499   | \$ 4,347,206   | \$ 14,188,155   | \$ 804,095                | \$ 28,812,107      |
| <b>LIABILITIES</b>  |  |   |  |  |   |                           |                    |
| Current liabilities   |  |   |  |  |   |                           |                    |
| Accrued interest payable                                      | \$ 1,975   | \$ 4,317  | \$ 57,292  | \$ 42,821  | \$ 44,595   | \$ -                      | \$ 151,000         |
| Current maturities of bonds payable                           | 350,730  | 1,475,170   | 530,000  | 110,000  | 1,455,000   | -                         | 3,920,900          |
| Current portion of unearned income                            | 20,850   | 16,186  | 151,219  | 136,148  | 354,009   | -                         | 678,412            |
| Total current liabilities                                     | 373,555  | 1,495,673   | 738,511  | 288,969  | 1,853,604   | -                         | 4,750,312          |
| Noncurrent liabilities  |  |   |  |  |   |                           |                    |
| Unearned Income less current portion                          | 27,200   | -   | 448,294  | 1,190,271  | 1,123,088   | -                         | 2,788,853          |
| Bonds payable less current maturities                         | 1,007,654  | -   | 3,656,360  | 2,773,787  | 11,260,000  | -                         | 18,697,801         |
| Total noncurrent liabilities                                  | 1,034,854  | -   | 4,104,654  | 3,964,058  | 12,383,088  | -                         | 21,486,654         |
| Total liabilities   | 1,408,409  | 1,495,673   | 4,843,165  | 4,253,027  | 14,236,692  | -                         | 26,236,966         |
| <b>NET ASSETS</b>   |  |   |  |  |   |                           |                    |
| Unrestricted  | -  | -   | -  | -  | -   | 50,674                    | 50,674             |
| Invested in capital assets                                    | -  | -   | -  | -  | -   | 753,421                   | 753,421            |
| Restricted for bond programs                                  | (115,059)  | 1,566,129   | 274,334  | 94,179   | (48,537)  | -                         | 1,771,046          |
| Total net assets  | (115,059)  | 1,566,129   | 274,334  | 94,179   | (48,537)  | 804,095                   | 2,575,141          |

Cleveland County Public Facilities Authority  
Supplemental Combining Schedule of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2012

|                                     | Lease Revenue<br>Refunding 2011<br>Series B (County<br>Health Dept.) | Educational<br>Facilities 2002<br>Series<br>(Tech Center) | Educational<br>Facilities<br>2007 Series<br>(Lexington<br>Public<br>Schools) | County Health<br>Department 2009<br>Series<br>(Moore Health<br>Dept) | Educational<br>Facilities<br>2009 Series<br>(Tech Center) | Agency<br>General<br>Fund | Eliminating<br>Entries | Combined<br>Totals |
|-------------------------------------|--|---|--|--|---|---------------------------|------------------------|--------------------|
| Operating revenues                  |  |   |  |  |   |                           |                        |                    |
| Participation fees                  | \$ 192,536   | \$ 87,805   | \$ 186,658   | \$ 139,373   | \$ 419,617  | \$ 51,931                 | \$ (27,841)            | \$ 1,050,079       |
| Total Operating Income              | 192,536  | 87,805  | 186,658  | 139,373  | 419,617   | 51,931                    | (27,841)               | 1,050,079          |
| Operating expenses                  |  |   |  |  |   |                           |                        |                    |
| Interest expense on bonds           | 105,557  | 83,725  | 173,902  | 130,955  | 355,425   | -                         | -                      | 849,564            |
| Depreciation                        | -  | -   | -  | -  | -   | 21,335                    | -                      | 21,335             |
| Bond issuance cost and amortization | 20,805   | 46,194  | 18,003   | 5,067  | 48,264  | -                         | -                      | 138,333            |
| General and administrative          | 4,889  | 3,644   | 8,581  | -  | -   | 38,413                    | (27,841)               | 27,686             |
| Janitorial                          | -  | -   | -  | -  | -   | 21,720                    | -                      | 21,720             |
| Professional fees                   | 5,729  | 5,000   | -  | 10,419   | 21,181  | -                         | -                      | 42,329             |
| Total operating expenses            | 136,980  | 138,563   | 200,486  | 146,441  | 424,870   | 81,468                    | (27,841)               | 1,100,967          |
| Operating Income (Loss)             | 55,556   | (50,758)  | (13,828)   | (7,068)  | (5,253)   | (29,537)                  | -                      | (50,888)           |
| Nonoperating revenues               |  |   |  |  |   |                           |                        |                    |
| Investment income                   | 3,387  | 46  | 29,848   | 22   | 119   | -                         | -                      | 33,422             |
| CHANGE IN NET ASSETS                | 58,943   | (50,712)  | 16,020   | (7,046)  | (5,134)   | (29,537)                  | -                      | (17,466)           |
| NET ASSETS, BEGINNING OF YEAR       | (174,002)  | 1,616,841   | 258,314  | 101,225  | (43,403)  | 833,632                   | -                      | 2,592,607          |
| NET ASSETS, END OF YEAR             | \$ (115,059)   | \$ 1,566,129  | \$ 274,334   | \$ 94,179  | \$ (48,537)   | \$ 804,095                | \$ -                   | \$ 2,575,141       |

**AUDITOR'S REPORT  
ON INTERNAL CONTROL AND COMPLIANCE**



REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Cleveland County Public Facilities Authority  
Norman, Oklahoma

We have audited the financial statements of Cleveland County Public Facilities Authority as of and for the year ended June 30, 2012, and have issued our report thereon dated May 9, 2014. 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

Management of Cleveland County Public Facilities Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Cleveland County Public 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 Public Facilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cleveland County Public 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 Public 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  
May 9, 2014