

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

Financial Statements

June 30, 2013

RHJ

Cleveland County Public 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 Public Facilities Authority  
Norman, Oklahoma

We have audited the accompanying financial statements of Cleveland County Public Facilities Authority (a public trust and agency of the State of Oklahoma, a component unit of Cleveland County, Oklahoma) as of and for the year ended June 30, 2013 and the related notes to the 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 accounting principles generally accepted in the United States of America; this includes 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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland County Public Facilities Authority as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note VI to the financial statements, Cleveland County Public Facilities Authority merged with Cleveland County Facilities Authority effective June 30, 2013. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 the missing information.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Cleveland County Public Facilities Authority's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic 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 combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2014, on our consideration of the 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* in considering Cleveland County Public Facilities Authority's internal control over financial reporting and compliance

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
May 12, 2014

Cleveland County Public Facilities Authority  
Statement of Net Position  
June 30, 2013

**ASSETS**

Current Assets	
Cash and cash equivalent	\$ 169,187
Total current assets	169,187
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	1,030,662
Deferred bond issuance costs net of accumulated amortization	433,828
Notes receivable	15,943,021
Total restricted assets	17,407,511
Capital assets	
Capital assets not being depreciated	228,400
Capital assets being depreciated, net	1,844,129
Total capital assets, net	2,072,529
Total assets	\$ 19,649,227

**LIABILITIES**

Current liabilities	
Accrued interest payable	\$ 84,600
Current maturities of bonds payable	1,949,591
Current portion of unearned income	455,603
Total current liabilities	2,489,794
Noncurrent liabilities	
Unearned Income less current portion	1,886,941
Bonds payable less current maturities	13,089,169
Total noncurrent liabilities	14,976,110
Total liabilities	17,465,904

**NET POSITION**

Unrestricted	169,187
Invested in capital assets	2,072,529
Expendable	
Restricted for bond programs	(58,393)
Total net position	2,183,323
Total liabilities and net position	\$ 19,649,227

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 Position  
For the Year Ended June 30, 2013

Operating revenues		
Participation fees		<u>\$ 814,812</u>
Operating expenses		
Interest expense on bonds		521,509
Depreciation		90,769
Bond issuance cost and amortization		99,667
General and administrative		50,491
Janitorial		21,720
Surety bond premium		1,535,590
Professional fees		<u>38,439</u>
Total operating expenses		<u>2,358,185</u>
Operating (Loss)		(1,543,373)
Nonoperating		
Loss on refunding		(368,195)
Investment income		<u>20,557</u>
Change in net position		(1,891,011)
Net Position, Beginning of Year		<u>4,074,334</u>
Net Position, End of Year		<u><u>\$ 2,183,323</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, 2013

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts of Fees	\$ 88,930
Payments for surety bond	(1,535,590)
Payments to vendors for trustee fees, janitorial and other	(175,927)
Net Cash Used by Operating Activities	<u>(1,622,587)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Principal paid on noncapital debt	(3,860,000)
Interest paid on noncapital debt	(693,568)
Receipt of lease payments on notes receivable	3,819,564
Cash paid on debt defeasance	(639,994)
Net Cash Used by Noncapital Financing Activities	<u>(1,373,998)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipt of interest on investments	20,557
Merger with Cleveland County Finance Authority	158,753
Sale of investments	2,110,840
Net Cash Provided by Investing Activities	<u>2,290,150</u>
Net Decrease in Cash and Cash Equivalents	(706,435)
Cash and Cash Equivalents, Beginning of year	1,814,602
Cash and Cash Equivalents, End of Year	<u>\$ 1,108,167</u>
As reported on Statement of Net Position	
Unrestricted	\$ 169,187
Restricted	1,030,662
	<u>\$ 1,199,849</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Loss	\$ (1,543,373)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	21,335
Amortization of costs of issuance	99,667
Interest expense on bonds	519,981
Amortization of bond premium and discount	1,528
Participation fees for note receivable payments	(725,882)
Net Cash Used by Operating Activities	<u>\$ (1,622,587)</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, 2013

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, 2013

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 Cleveland County Health Department Project, Moore Health Department Project and Moore 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, 2013

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 Position*

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, 2013

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, 2013.

As of June 30, 2013, \$1,030,661 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, 2013

II. CASH AND INVESTMENTS (continued)

*Concentration of Investment Credit Risk*

CCPFA's investment are concentrated in money market mutual funds and guarantee 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.

*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.

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, 2013

III. BONDS PAYABLE (continued)

Bonds and notes payable as of June 30, 2013, 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
2011 Series (Cleveland County Health Department)	11/1/2001	3.49%	11/1/2021	\$ 1,185,000	\$ -	\$ 285,000	\$ 900,000	\$ 295,000
2002 Series (Moore Norman Technology Center Project)	12/1/2002	3.40%	12/1/2012	1,480,000	-	1,480,000	-	-
2007 Series (Lexington Public Schools Project)	7/1/2007	4.25%	9/1/2021	4,175,000	-	4,175,000	-	-
2009 Series (Health Department Project)	3/1/2009	3.69%	9/1/2029	2,920,000	-	110,000	2,810,000	120,000
2009 Series (Moore Norman Technology Center Project)	9/30/2009	4.25%	12/1/2019	<u>12,715,000</u>	-	<u>1,455,000</u>	<u>11,260,000</u>	<u>1,485,000</u>
				22,475,000	-	7,505,000	14,970,000	\$ 1,900,000
plus deferred refunding				157,411	-	65,730	91,681	49,591
less deferred bond discount and premium				<u>(13,710)</u>	-	<u>9,211</u>	<u>(22,921)</u>	-
				<u>\$ 22,618,701</u>	<u>\$ -</u>	<u>\$ 7,579,941</u>	<u>\$ 15,038,760</u>	<u>\$ 1,949,591</u>

Debt requirements on bonds payable as of June 30, 2013 are as follows:

	Principal and Interest	less Interest	Principal
2014	2,512,511	(612,511)	\$ 1,900,000
2015	2,484,637	(554,637)	1,930,000
2016	2,342,494	(482,494)	1,860,000
2017	2,009,299	(409,299)	1,600,000
2018	1,979,923	(334,923)	1,645,000
2019-2023	4,819,658	(684,658)	4,135,000
2024-2028	1,168,158	(333,158)	835,000
2029+	<u>1,120,719</u>	<u>(55,719)</u>	<u>1,065,000</u>
	<u>\$ 18,437,399</u>	<u>\$ (3,467,399)</u>	<u>\$ 14,970,000</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.

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

IV. NOTES RECEIVABLE

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

	Lease Revenue Refunded Series 2011 (Health Dept.)	County Health Department 2009 Series (Moore Health Dept)	Educational Facilities 2009 Series (Tech Center)	Total
2014	\$ 310,050	\$ 248,000	\$ 1,805,872	\$ 2,363,922
2015	309,100	248,000	1,806,811	2,363,911
2016	308,050	248,000	1,809,595	2,365,645
2017	-	248,000	1,810,038	2,058,038
2018	-	248,000	1,811,694	2,059,694
Thereafter	-	2,498,822	2,232,989	4,731,811
Total Minimum Lease Payments Receivable	927,200	3,738,822	11,276,999	15,943,021
Plus Deferred initial direct costs	42,210	81,925	309,693	433,828
Less Unearned Income	(27,200)	(1,192,255)	(1,123,089)	(2,342,544)
Net Investment in Lease Notes Receivable	<u>\$ 942,210</u>	<u>\$ 2,628,492</u>	<u>\$ 10,463,603</u>	<u>\$ 14,034,305</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, 2013, capital assets consisted of the following:

	Beginning Balance	Increases	Decreases	Ending 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	3,831,435	25,000	-	3,856,435
Less Accumulated Depreciation	(1,921,538)	(90,768)	-	(2,012,306)
Total capital assets, being depreciated, net	<u>1,909,897</u>	<u>(65,768)</u>	<u>-</u>	<u>1,844,129</u>
Governmental activities capital assets, net	<u>\$ 2,138,297</u>	<u>\$ (65,768)</u>	<u>\$ -</u>	<u>\$ 2,072,529</u>

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

VI. MERGER

On June 30, 2013, the Authority merged with Cleveland County Facilities Authority for purposes of combining similar operations. Cleveland County Facilities Authority ceased operations. For purposes of financial reporting, this is a continuing government merger and the merger date is July 1, 2012. Combined assets, liabilities, results of operations and cash flows of the merging entities has been reported for the year ended June 30, 2013 as though the entities had been combined at the beginning of the reporting period. The following assets and liabilities were transferred from Cleveland County Facilities Authority:

Transferred Assets (Net)	
Cash	\$ 158,752
Building	1,409,877
Net Position of Transferred Cleveland County Facilities Authority	
Net investment in capital assets	1,409,877
Unrestricted	158,752

VII. DEBT REFUNDING

On November, 2012, the Authority deposited cash from funds provided by Cleveland County Educational Facilities Authority to advance refund, through an in-substance defeasance, the \$3.645 million of the 2007 series bonds (Lexington Public Schools Project) . The defeasance resulted in a cash flow difference of (\$8,312) and an economic gain of \$131,694.

IX. NEW GASB STANDARD

In Fiscal year 2013, the Authority implemented GASB Statement 63, *Reporting Deferred Outflows, Deferred Inflows, and Net Position*. This statement includes a title change from the “Statement of Net Assets” to “Statement of Net Position” and “Statement of Revenues, Expenses and Changes in Net Assets” to “Statement of Revenues, Expenses and Changes in Net Position”, requires deferred outflows to be reported in a separate section after assets, deferred inflows reported as a separate section after liabilities. Only those items specifically defined by GASB may be reported as deferred outflows or inflows. The only effect on the financial statements for the Authority was the change in terminology “net assets” to “net position”.

## **Supplementary Information**

**Cleveland County Public Facilities Authority**  
**Supplemental Combining Schedule of Net Position**  
**June 30, 2013**

	Lease Revenue Refunded Series 2011 (Health Dept.)	Educational Facilities 2002 Series (Tech Center)	Educational Facilities 2007 Series (Lexington Public Schools)	County Health Department 2009 Series (Moore Health Dept)	Educational Facilities 2009 Series (Tech Center)	Agency General Fund	Combined Totals
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and Cash Equivalent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,187	\$ 169,187
Total current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,187</u>	<u>169,187</u>
<b>Noncurrent assets</b>							
<b>Restricted assets</b>							
Cash and cash equivalents	4	-	-	275,424	755,234	-	1,030,662
Deferred bond insurance costs net of accumulated amortization	42,210	-	-	81,925	309,693	-	433,828
Notes receivable	927,200	-	-	3,738,822	11,276,999	-	15,943,021
Total restricted assets	<u>969,414</u>	<u>-</u>	<u>-</u>	<u>4,096,171</u>	<u>12,341,926</u>	<u>-</u>	<u>17,407,511</u>
<b>Capital assets</b>							
Capital assets not being depreciated	-	-	-	-	-	228,400	228,400
Capital assets being depreciated, net	-	-	-	-	-	1,844,129	1,844,129
Total capital assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,072,529</u>	<u>2,072,529</u>
Total assets	<u>\$ 969,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,096,171</u>	<u>\$ 12,341,926</u>	<u>\$ 2,241,716</u>	<u>\$ 19,649,227</u>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accrued interest payable	\$ 1,500	\$ -	\$ -	\$ 41,904	\$ 41,196	\$ -	\$ 84,600
Current maturities of bonds payable	344,591	-	-	120,000	1,485,000	-	1,949,591
Current portion of unearned income	15,050	-	-	130,784	309,769	-	455,603
Total current liabilities	<u>361,141</u>	<u>-</u>	<u>-</u>	<u>292,688</u>	<u>1,835,965</u>	<u>-</u>	<u>2,489,794</u>
<b>Noncurrent liabilities</b>							
Unearned Income less current portion	12,150	-	-	1,061,471	813,320	-	1,886,941
Bonds payable less current maturities	658,272	-	-	2,655,897	9,775,000	-	13,089,169
Total noncurrent liabilities	<u>670,422</u>	<u>-</u>	<u>-</u>	<u>3,717,368</u>	<u>10,588,320</u>	<u>-</u>	<u>14,976,110</u>
Total liabilities	<u>1,031,563</u>	<u>-</u>	<u>-</u>	<u>4,010,056</u>	<u>12,424,285</u>	<u>-</u>	<u>17,465,904</u>
<b>NET POSITION</b>							
Unrestricted	-	-	-	-	-	169,187	169,187
Invested in capital assets	-	-	-	-	-	2,072,529	2,072,529
Restricted for bond programs	(62,149)	-	-	86,115	(82,359)	-	(58,393)
Total net position	<u>(62,149)</u>	<u>-</u>	<u>-</u>	<u>86,115</u>	<u>(82,359)</u>	<u>2,241,716</u>	<u>2,183,323</u>
Total liabilities and net position	<u>\$ 969,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,096,171</u>	<u>\$ 12,341,926</u>	<u>\$ 2,241,716</u>	<u>\$ 19,649,227</u>

**Cleveland County Public Facilities Authority**  
**Supplemental Combining Schedule of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2013**

	Lease Revenue Refunded Series 2011 (Health Dept.)	Educational Facilities 2002 Series (Tech Center)	Educational Facilities 2007 Series (Lexington Public Schools)	County Health Department 2009 Series (Moore Health Dept)	Educational Facilities 2009 Series (Tech Center)	Agency General Fund	Eliminating Entry	Combined Totals
Operating revenues								
Participation fees	\$ 20,850	\$ 19,428	\$ 167,219	\$ 134,164	\$ 374,993	\$ 114,637	\$ (16,479)	\$ 814,812
Total Operating Income	20,850	19,428	167,219	134,164	374,993	114,637	(16,479)	814,812
Operating expenses								
Interest expense on bonds	(50,146)	26,413	78,251	128,280	338,711	-	-	521,509
Depreciation	-	-	-	-	-	90,769	-	90,769
Bond issuance cost and amortization	18,090	19,245	9,001	5,067	48,264	-	-	99,667
General and administrative	-	1,850	2,714	3,650	8,265	50,491	(16,479)	50,491
Janitorial	-	-	-	-	-	21,720	-	21,720
Surety bond premium	-	1,535,590	-	-	-	-	-	1,535,590
Professional fees	-	2,500	3,785	5,250	13,629	13,275	-	38,439
Total operating expenses	(32,056)	1,585,598	93,751	142,247	408,869	176,255	(16,479)	2,358,185
Operating Income (Loss)	52,906	(1,566,170)	73,468	(8,083)	(33,876)	(61,618)	-	(1,543,373)
Nonoperating revenues								
Loss on refunding	-	-	(368,195)	-	-	-	-	(368,195)
Investment income	3	43	20,392	21	54	44	-	20,557
CHANGE IN NET POSITION	52,909	(1,566,127)	(274,335)	(8,062)	(33,822)	(61,574)	-	(1,891,011)
NET POSITION, BEGINNING OF YEAR	(115,058)	1,566,127	274,335	94,177	(48,537)	2,303,290	-	4,074,334
NET POSITION, END OF YEAR	\$ (62,149)	\$ -	\$ -	\$ 86,115	\$ (82,359)	\$ 2,241,716	\$ -	\$ 2,183,323

**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 Public Facilities Authority  
Norman, Oklahoma

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, the financial statements of Cleveland County Public Facilities Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated May 12, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cleveland County Public Facilities Authority's internal control over financial reporting (internal control) in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

*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.

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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 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*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
May 12, 2014