

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

Financial Statements

June 30, 2015

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Cleveland County Public Facilities Authority  
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For the Fiscal Year Ended June 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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, 2015 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

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significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland County Public Facilities Authority as of June 30, 2015, 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.

## ***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 March 16, 2016, 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  
March 16, 2016

Cleveland County Public Facilities Authority  
Statement of Net Position  
June 30, 2015

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 101,549
Due from related entity	<u>3,620</u>
Total current assets	<u>105,169</u>
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	1,080,530
Notes receivable	<u>11,217,739</u>
Total restricted assets	<u>12,298,269</u>
Capital assets	
Capital assets not being depreciated	228,400
Capital assets being depreciated, net	<u>1,724,722</u>
Total capital assets, net	<u>1,953,122</u>
Total assets	<u>\$ 14,356,560</u>

**LIABILITIES**

Current liabilities	
Accounts payable	\$ 24,900
Accrued interest payable	72,527
Current maturities of bonds payable	1,985,000
Current portion of unearned income	<u>339,860</u>
Total current liabilities	<u>2,422,287</u>
Noncurrent liabilities	
Unearned Income less current portion	1,153,305
Bonds payable less current maturities	<u>9,126,713</u>
Total noncurrent liabilities	<u>10,280,018</u>
Total liabilities	<u>12,702,305</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources from debt refunding	<u>25,035</u>
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**NET POSITION**

Unrestricted	86,865
Invested in capital assets	1,953,122
Expendable	
Restricted for bond programs	<u>(410,767)</u>
Total net position	<u>1,629,220</u>
Total liabilities and net position	<u>\$ 14,356,560</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 Position  
For the Year Ended June 30, 2015

Operating revenues		
Participation fees		<u>\$ 506,155</u>
Operating expenses		
Interest expense on bonds		316,445
Depreciation		92,693
General and administrative		55,513
Janitorial		30,410
Professional fees		<u>29,115</u>
Total operating expenses		<u>524,176</u>
Operating Income (Loss)		(18,021)
Nonoperating		
Investment income		<u>77</u>
Change in net position		(17,944)
Net Position, Beginning of Year		<u>1,647,164</u>
Net Position, End of Year		<u><u>\$ 1,629,220</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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts of Fees	\$ 84,628
Payments to vendors for trustee fees, janitorial and other	(101,794)
Net Cash Used by Operating Activities	<u>(17,166)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Principal paid on noncapital debt	(1,930,000)
Interest paid on noncapital debt	(395,826)
Receipt of lease payments on notes receivable	2,386,630
Net Cash Provided by Noncapital Financing Activities	<u>60,804</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of interest on investments	80
Net Cash Provided by Investing Activities	<u>80</u>
Net Increase in Cash and Cash Equivalents	43,718
Cash and Cash Equivalents, Beginning of year	1,138,361
Cash and Cash Equivalents, End of Year	<u>\$ 1,182,079</u>
As reported on Statement of Net Position	
Unrestricted	\$ 101,549
Restricted	1,080,530
	<u>\$ 1,182,079</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Loss	\$ (18,021)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	92,693
Interest expense on bonds	319,128
Amortization of bond premium and discount	(2,683)
Participation fees for note receivable payments	(421,527)
Change in amounts due from related entities	5,900
Change in accounts payable	6,940
Change unearned income	404
Net Cash Used by Operating Activities	<u>\$ (17,166)</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, 2015

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, 2015

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, 2015

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, and Discount*

Bond premiums, and discounts 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, 2015

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.

*Deferred Outflows of Resources*

CCPFA reports decreases in net assets that related to future periods as deferred outflows of resources on the statement of net position. No amounts have been reported as deferred outflows .

*Deferred Inflows of Resources*

CCPFA's statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period.

Deferred inflows of resources are reported in the statement of net position for the difference between the reacquisition price of debt refunded in 2013 and the net carrying amount of the old debt. This deferred inflow of resources is amortized to interest expense over a total of 4 years, the life of the new debt.

*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 but follows state law. CCPFA was not exposed to custodial credit risk as of June 30, 2015.

Cleveland County Public Facilities Authority  
Notes to Financial Statements  
June 30, 2015

II. CASH AND INVESTMENTS (continued)

As of June 30, 2015, \$1,080,530 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.

*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.

*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, or Cleveland County Health Department but are limited obligations payable solely from revenues specifically pledged to their payment.

Bonds and notes payable as of June 30, 2015, 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	\$ 605,000	\$ -	\$ 300,000	\$ 305,000	\$ 305,000
2009 Series (Health Department Project)	3/1/2009	3.69%	9/1/2029	2,690,000	-	115,000	2,575,000	125,000
2009 Series (Moore Norman Technology Center Project)	9/30/2009	4.25%	12/1/2019	9,775,000	-	1,515,000	8,260,000	1,555,000
				13,070,000	-	1,930,000	11,140,000	\$ 1,985,000
less deferred bond discount and premium				(25,605)	-	2,682	(28,287)	-
				<u>\$ 13,044,395</u>	<u>\$ -</u>	<u>\$ 1,932,682</u>	<u>\$ 11,111,713</u>	<u>\$ 1,985,000</u>

Cleveland County Public Facilities Authority  
Notes to Financial Statements  
June 30, 2015

III. BONDS PAYABLE (continued)

Debt requirements on bonds payable as of June 30, 2015 are as follows:

	Principal and Interest	less Interest	Principal
2016	2,464,916	(479,916)	1,985,000
2017	2,131,462	(401,462)	1,730,000
2018	2,101,620	(321,620)	1,780,000
2019	2,074,872	(234,872)	1,840,000
2020	2,054,516	(149,516)	1,905,000
2021-2025	1,281,236	(446,236)	835,000
2026-2030	1,304,625	(239,625)	1,065,000
	\$ 13,413,247	\$ (2,273,247)	\$ 11,140,000

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.

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
2016	311,103	248,000	1,809,595	2,368,698
2017	-	248,000	1,810,038	2,058,038
2018	-	248,000	1,811,694	2,059,694
2019	-	248,000	1,816,495	2,064,495
2020	-	248,000	416,492	664,492
Thereafter	-	2,002,322	-	2,002,322
Total Minimum Lease Payments Receivable	311,103	3,242,322	7,664,314	11,217,739
Less Unearned Income	(3,050)	(940,566)	(549,145)	(1,492,761)
Net Investment in Lease Notes Receivable	\$ 308,053	\$ 2,301,756	\$ 7,115,169	\$ 9,724,978

Cleveland County Public Facilities Authority  
Notes to Financial Statements  
June 30, 2015

IV. NOTES RECEIVABLE (continued)

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, 2015, capital assets consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<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	3,921,409	-	-	3,921,409
Less Accumulated Depreciation	<u>(2,103,994)</u>	<u>(92,693)</u>	<u>-</u>	<u>(2,196,687)</u>
Total capital assets, being depreciated, net	<u>1,817,415</u>	<u>(92,693)</u>	<u>-</u>	<u>1,724,722</u>
Governmental activities capital assets, net	<u>\$ 2,045,815</u>	<u>\$ (92,693)</u>	<u>\$ -</u>	<u>\$ 1,953,122</u>

## **Supplementary Information**

**Cleveland County Public Facilities Authority**  
**Supplemental Combining Schedule of Net Position**  
**June 30, 2015**

	Lease Revenue Refunded Series 2011 (Health Dept.)	County Health Department 2009 Series (Moore Health Dept.)	Educational Facilities 2009 Series (Tech Center)	Agency General Fund	Eliminating Entry	Combined Totals
<b>ASSETS</b>						
Current Assets						
Cash and Cash Equivalent	\$ -	\$ -	\$ -	\$ 101,549		\$ 101,549
Interfund Receivable	-	-	-	10,620	(10,620)	-
Due from Related Entity	3,620	-	-	-		3,620
Total current assets	<u>3,620</u>	<u>-</u>	<u>-</u>	<u>112,169</u>		<u>105,169</u>
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	-	279,623	800,907	-		1,080,530
Notes receivable	311,103	3,242,322	7,664,314	-		11,217,739
Total restricted assets	<u>311,103</u>	<u>3,521,945</u>	<u>8,465,221</u>	<u>-</u>		<u>12,298,269</u>
Capital assets						
Capital assets not being depreciated	-	-	-	228,400		228,400
Capital assets being depreciated, net	-	-	-	1,724,722		1,724,722
Total capital assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,953,122</u>		<u>1,953,122</u>
Total assets	<u>\$ 314,723</u>	<u>\$ 3,521,945</u>	<u>\$ 8,465,221</u>	<u>\$ 2,065,291</u>		<u>\$ 14,356,560</u>
<b>LIABILITIES</b>						
Current liabilities						
Accounts Payable	\$ 10,620	\$ -	\$ -	\$ 24,900	\$ (10,620)	\$ 24,900
Accrued interest payable	508	39,556	32,463	-		72,527
Current maturities of bonds payable	305,000	125,000	1,555,000	-		1,985,000
Current portion of unearned income	3,050	119,273	217,133	404		339,860
Total current liabilities	<u>319,178</u>	<u>283,829</u>	<u>1,804,596</u>	<u>25,304</u>		<u>2,422,287</u>
Noncurrent liabilities						
Unearned Income less current portion	-	821,293	332,012	-		1,153,305
Bonds payable less current maturities	1,597	2,420,116	6,705,000	-		9,126,713
Total noncurrent liabilities	<u>1,597</u>	<u>3,241,409</u>	<u>7,037,012</u>	<u>-</u>		<u>10,280,018</u>
Total liabilities	<u>320,775</u>	<u>3,525,238</u>	<u>8,841,608</u>	<u>25,304</u>		<u>12,702,305</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources from debt refunding	25,035	-	-	-		25,035
<b>NET POSITION</b>						
Unrestricted	-	-	-	86,865		86,865
Invested in capital assets	-	-	-	1,953,122		1,953,122
Restricted for bond programs	(31,087)	(3,293)	(376,387)	-		(410,767)
Total net position	<u>(31,087)</u>	<u>(3,293)</u>	<u>(376,387)</u>	<u>2,039,987</u>		<u>1,629,220</u>
Total liabilities and net position	<u>\$ 314,723</u>	<u>\$ 3,521,945</u>	<u>\$ 8,465,221</u>	<u>\$ 2,065,291</u>		<u>\$ 14,356,560</u>

Cleveland County Public Facilities Authority  
 Supplemental Combining Schedule of Revenues, Expenses and Changes in Net Position  
 For the Year Ended June 30, 2015

	Lease Revenue Refunded Series 2011 (Health Dept.)	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	\$ 16,260	\$ 122,985	\$ 281,446	\$ 95,790	(10,326)	\$ 506,155
Total Operating Income	<u>16,260</u>	<u>122,985</u>	<u>281,446</u>	<u>95,790</u>	<u>(10,326)</u>	<u>506,155</u>
Operating expenses						
Interest expense on bonds	(66,422)	121,377	261,490	-	-	316,445
Depreciation	-	-	-	92,693	-	92,693
Bond issuance cost and amortization	-	-	-	-	-	-
General and administrative	11,110	3,383	6,394	44,952	(10,326)	55,513
Janitorial	-	-	-	30,410	-	30,410
Surety bond premium	-	-	-	-	-	-
Professional fees	-	3,000	11,865	14,250	-	29,115
Total operating expenses	<u>(55,312)</u>	<u>127,760</u>	<u>279,749</u>	<u>182,305</u>	<u>(10,326)</u>	<u>524,176</u>
Operating Income (Loss)	71,572	(4,775)	1,697	(86,515)	-	(18,021)
Nonoperating revenues						
Investment income	-	22	55	-	-	77
CHANGE IN NET POSITION	71,572	(4,753)	1,752	(86,515)	-	(17,944)
NET POSITION, BEGINNING OF YEAR	<u>(102,659)</u>	<u>1,460</u>	<u>(378,139)</u>	<u>2,126,502</u>	<u>-</u>	<u>1,647,164</u>
NET POSITION, END OF YEAR	<u>\$ (31,087)</u>	<u>\$ (3,293)</u>	<u>\$ (376,387)</u>	<u>\$ 2,039,987</u>	<u>\$ -</u>	<u>\$ 1,629,220</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 Public Facilities Authority  
Norman, Oklahoma

We have audited 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, 2015, and the related notes to the financial statements and have issued our report thereon dated March 16, 2016. Our report included a paragraph indicating that management omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Our opinion on the basic financial statements was not affected by this missing information.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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  
March 16, 2016