

Cleveland County Facilities Authority
Financial Statements
Year-End June 30, 2009

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Cleveland County Facilities Authority
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Cleveland County Facilities Authority
Norman, Oklahoma

We have audited the accompanying financial statements of Cleveland County Facilities Authority, component unit of Cleveland County, Oklahoma, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of Cleveland County 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 the 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 Cleveland County Facilities Authority as of June 30, 2009, and the changes in financial position and 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 also issued our report dated May 30, 2013, on our consideration of the Cleveland County 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.

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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.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
May 30, 2013

Cleveland County Facilities Authority
Statement of Net Assets
June 30, 2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents	<u>\$ 46,679</u>
Total current assets	<u>46,679</u>

CAPITAL ASSETS

Building	2,739,815
Accumulated depreciation	<u>(1,171,362)</u>
Net capital assets	<u>1,568,453</u>
Total assets	<u><u>\$ 1,615,132</u></u>

LIABILITIES

CURRENT LIABILITES

Payroll liabilities	<u>1,014</u>
Total current liabilities	<u>1,014</u>

NET ASSETS

Invested in capital assets	1,568,453
Unrestricted	<u>45,665</u>
Total net assets	<u>1,614,118</u>
Total liabilities and net assets	<u><u>\$ 1,615,132</u></u>

Cleveland County Facilities Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009

Operating revenues		
Contract revenues		\$ 261,804
Rent income		<u>77,752</u>
Total operating revenues		<u>339,556</u>
Operating expenses		
Contract expenses		261,804
Depreciation		68,297
Insurance		15,858
Utilities		11,589
Payroll and related expenses		12,685
Audit and accounting expense		500
Legal fees		-
Building repairs		6,269
Miscellaneous items		<u>5</u>
Total operating expenses		<u>377,007</u>
Operating loss		<u>(37,451)</u>
Nonoperating revenue		
Investment income		<u>151</u>
CHANGE IN NET ASSETS		(37,300)
NET ASSETS, BEGINNING OF YEAR		<u>1,651,418</u>
NET ASSETS, END OF YEAR		<u><u>\$ 1,614,118</u></u>

See Accompanying Notes to Financial Statements

Cleveland County Facilities Authority
Statement of Cash Flows
For the Year Ended June 30, 2009

OPERATING ACTIVITIES	
Cash received from fees	\$ 347,175
Cash received from rent	77,752
Payments for fees	(347,175)
Payments for salaries and benefits	(12,744)
Payments for other expenses	<u>(34,221)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>30,787</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Fixed Assets	<u>(17,605)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(17,605)</u>
INVESTING ACTIVITY	
Interest on Investments	<u>151</u>
NET CASH PROVIDED BY INVESTING ACTIVITY	<u>151</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,333
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>33,346</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 46,679</u></u>
Reconciliation of change net assets to net cash provided by operating activities:	
Operating Loss	\$ (37,451)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	68,297
Changes in accruals	
Contract services receivable	85,371
Payroll liabilities	(59)
Contract services payable	<u>(85,371)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 30,787</u></u>

See Accompanying Notes to Financial Statements

CLEVELAND COUNTY FACILITIES AUTHORITY
A PUBLIC TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 -- CLEVELAND COUNTY FACILITIES AUTHORITY

The Cleveland County Facilities Authority (Authority), a public trust and agency of the State of Oklahoma, was created by a Trust Indenture dated December 9, 1991 designating certain individuals as Trustees of the Cleveland County Facilities Authority for the use and benefit of Cleveland County, Oklahoma, (Beneficiary) under the provisions of Title 60, Oklahoma Statutes 1981, Sections 176 to 180.4 (the Oklahoma Trust Act) and other statutes and laws of the State of Oklahoma.

The purpose of said Trust is to promote and assist the Beneficiary, the State of Oklahoma, its Governmental Agencies, and private entities, agencies and citizens in making the most efficient use of all of their economic resources and powers in accordance with the needs and benefit of the Beneficiary in order to lessen the burdens on government and to stimulate economic growth and development; to inventory the services, facilities and resources of the entire Beneficiary County; to promote, stimulate, encourage and finance the growth and development of the agriculture, commerce and industry of the Beneficiary County, as a whole, all in order to achieve maximum utilization of the Beneficiary County's human, economic and natural resources and tourist attractions; to foster and promote an industrial climate and the payroll of the Beneficiary County; and to otherwise promote its general economic welfare and prosperity and to finance any and all programs, facilities or resources promoting or intending to promote any of the foregoing and without restriction, in furtherance of the foregoing general objectives.

The Authority by virtue of common control and dependence is a component unit of Cleveland County, Oklahoma. The Board of County Commissioners appoint Trustees of the Authority. The Trustees are citizens and residents of Cleveland County, as set forth in the Trust Indenture. Upon expiration of any Trustee's term of office, the appointment of 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 the Authority.

The Trust shall have duration until such time as its purpose shall be fulfilled, or until it shall be terminated as provided.

The Authority is authorized, in the furtherance of public purposes, to issue debt to provide funds to promote Facilities within the County.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). The financial statements are prepared in accordance with GASB Statement 34 *Basic Financial Statements – and Management's Discussion for State and Local Governments*, GASB Statement 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement 38 – *Certain Financial Statement Note Disclosure*. Management has elected not to include *Management's Discussion and Analysis for State and Local Governments* with the financial statements.

CLEVELAND COUNTY FACILITIES AUTHORITY
A PUBLIC TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Basis of Accounting

The Authority accounts for its activities, the Alan J. Couch Juvenile Services Center Project (the Project), within a proprietary fund. The Authority's activities meet the definition of an enterprise fund because it is the intent of the Authority 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 net total 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.

As required by the GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless FASB and/or APB pronouncements conflict with or contradict GASB pronouncements. In addition, the Authority applies all applicable FASB Statements and Interpretations issued after November 30, 1989 except those that conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less.

Rent Income

The Alan J. Couch Juvenile Center has five short-term operating lease agreements with five tenants. These monthly lease payments fund the general operations of the Authority, such as utilities, insurance and repairs on the building. The expenses are estimated annually and allocated on the square footage of each tenant. Each tenant is responsible for their own maintenance, repairs and utilities of their leased space. These leases have been renewed subsequent to year-end.

Contract Receivable and Payable

The State of Oklahoma Office of Juvenile Affairs contracted with the Authority to provide regional detention services for the period July 1, 2008 through June 30, 2009. Services were sub-contracted to Community Works. During September, 2008, the Authority assigned their contract revenue to Community Works so no further contract revenue or expense was recognized. The contract with Community Works was extended subsequent to year end.

CLEVELAND COUNTY FACILITIES AUTHORITY
A PUBLIC TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Capital Assets

Purchased goods or constructed assets are recorded at actual cost. Depreciation is computed on the straight-line method over 40 years, which approximates the economic life of the building. Maintenance and repairs are charged to operations when incurred and betterments and renewals are capitalized. Depreciation expense for the period ending June 30, 2009 is \$68,297.

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 date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purpose for which both restricted and unrestricted net assets are available, the Authority's policy is to apply to restricted assets first.

Operating and Non-operating Revenues

Proprietary fund operating revenues result from exchange transactions related to the operation of the Project. 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.

NOTE 3 -- CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have policy for custodial credit risk. The Authority was not exposed to custodial credit risk as of June 30, 2009.

NOTE 4 -- CONTRACT CONCENTRATION

Continued operation of the Juvenile center is dependent upon continuation of the contract with the State of Oklahoma Office of Juvenile Affairs.

**CLEVELAND COUNTY FACILITIES AUTHORITY
A PUBLIC TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 -- CAPITAL ASSET ACTIVITY

Capital assets activity for the year ended June 30, 2009 consists of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets being depreciated:				
Buildings and building improvements	\$ 2,722,209	\$ 17,606	\$ -	\$ 2,739,815
Total Capital Assets	<u>2,722,209</u>	<u>17,606</u>	<u>-</u>	<u>2,739,815</u>
Less accumulated depreciation for:				
Buildings and building improvements	<u>(1,103,065)</u>	<u>(68,297)</u>	<u>-</u>	<u>(1,171,362)</u>
Total Capital Assets, net	<u>\$ 1,619,144</u>	<u>\$(50,691)</u>	<u>\$ -</u>	<u>\$ 1,568,453</u>

NOTE 6 – RISK MANAGEMENT

The Authority participates in the Association of County Commissioners of Oklahoma Self-Insured Group (ACCO-SIG), which was established pursuant to the State of Oklahoma Interlocal Cooperation Act of Oklahoma Statutes 74-1001. ACCO-SIG is a public entity risk pool currently operating as a common risk management and insurance program for the member counties. The main purpose of ACCO-SIG is to jointly self-insure certain risks up to an agreed upon retention limit and to obtain excess catastrophic coverage and aggregate stop-loss reinsurance over the selected retention limit. Property and liability insurance coverage is subject to a \$10,000 per loss deductible up to \$50,000. In fiscal year 2009, the Authority paid \$15,858 to ACCO-SIG for property and liability coverage.. Settled claims have not exceeded the coverage in any of the past three years. The Authority’s level of coverage has not changed for the past year.

NOTE 7 – SUBSEQUENT EVENT

Effective June 30, 2013, the Authority will cease to exist and all activity will be transferred to the Cleveland County Public Facilities Authority.



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*

To the Board of Trustees
Cleveland County Facilities Authority
Norman, Oklahoma

We have audited the financial statements of Cleveland County Facilities Authority, as of and for the year ended June 30, 2009, which collectively comprise the Cleveland County Facilities Authority's basic financial statements and have issued our report thereon dated May 30, 2013. Our report included an other matter paragraph for required supplementary information which was not included. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cleveland County Facilities Authority's internal control over financial reporting as a basis for designing 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 the Cleveland County Facilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cleveland County Facilities Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Cleveland County Facilities Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Cleveland County Facilities Authority's financial statements that is more than inconsequential will not be prevented or detected by the Cleveland County Facilities Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Cleveland County Facilities Authority's internal control.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cleveland County 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 management, City Council, others within the entity, and federal awarding agencies and pass-through entities 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 30, 2013