

LeFlore County Educational Authority
A Component Unit of LeFlore County, Oklahoma

Independent Auditor's Report and Financial Statement

June 30, 2013



LeFlore County Educational Authority
A Component Unit of LeFlore County, Oklahoma
June 30, 2013

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Independent Auditor's Report

Board of Trustees
LeFlore County Educational Authority
Poteau, Oklahoma

We have audited the statement of cash receipts and disbursements of LeFlore County Educational Authority (the Authority), a component unit of LeFlore County, Oklahoma, for the year ended June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation in this financial statement in accordance with the cash receipts and disbursements basis of accounting described in *Note 1*; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statement 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 Authority'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 statement.

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 statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of LeFlore County Educational Authority for the year ended June 30, 2013, in accordance with the cash basis of accounting described in *Note 1*.

Basis of Accounting

We draw attention to *Note 1* of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

BKD, LLP

Fort Smith, Arkansas
December 23, 2013

LeFlore County Educational Authority
A Component Unit of LeFlore County, Oklahoma
Statement of Cash Receipts and Disbursements
June 30, 2013

Cash Receipts

Proceeds from CASC Development Foundation	\$ 540,400
Note proceeds from bank	<u>6,200</u>
Total cash receipts	<u>546,600</u>

Cash Disbursements

Construction costs	495,091
Professional fees	11,460
Interest	<u>101</u>
	<u>506,652</u>

Increase in Cash	39,948
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Cash, Beginning of Year	<u>270</u>
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Cash, End of Year	<u><u>\$ 40,218</u></u>
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LeFlore County Educational Authority
A Component Unit of LeFlore County, Oklahoma
Notes to Financial Statement
June 30, 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

LeFlore County Educational Authority (“the Authority”) is located in Poteau, Oklahoma. The Authority is a component unit of LeFlore County, Oklahoma. The Authority is a public trust created pursuant to Title 60 of the Oklahoma statutes. The purpose of the Authority is generally to provide and accept the issuance of bonds, notes or other evidence of indebtedness of the Board of Trustees of the Authority in one or more series of a total aggregate principal amount not to exceed \$500,000, waiver of competitive bidding with respect to their sale, execution of all related instruments and documents to said issuance and holding of the related real estate.

Issuance of bonds, notes or other evidence of indebtedness is subject to the approval of the Board of Trustees of the Authority and the availability of monies. Accordingly, the accompanying financial statement reflects only transactions for which appropriate approvals have been received as of the financial reporting date.

The primary activities of the Authority have been to facilitate financing and construction of dormitories at Carl Albert State College on behalf of the Carl Albert State College Development Foundation (Foundation). The dormitory buildings are owned by the Foundation. Debt incurred by the Authority to build the dormitories will be serviced by funds provided by the Foundation.

Cash Basis of Accounting

The Authority’s accounts are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received, disbursed or on hand. Therefore, receivables and payables, which may be material, are not reflected in the accompanying financial statement. The accompanying financial statement is not intended to present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America.

Reporting Entity

These financial statements include only the cash activity of the Authority. The Authority is a component unit of LeFlore County, Oklahoma, and these financial statements are not intended to present the financial position or changes in financial position of the County.

Income Taxes

As a government function of LeFlore County, the Authority is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

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June 30, 2013

Note 2: Related Party Transactions

LeFlore County, Oklahoma (the County) is the sole beneficiary of the Authority. The Authority is a subordinate entity of the County and is thus a subordinate governmental unit of the County. The County has general taxing powers and has allocated a portion of its \$5,000,000 small-issuer exemption under Section 148(f)(4)(D) of the Internal Revenue Code of 1986, as amended.

The Authority currently has trustees in common with the Carl Albert State College Development Foundation, Inc. (the Foundation). A memorandum of agreement (MOA) has been signed by the College, the Foundation, the Authority, and the County that states that the Foundation has always owned the dormitories built in conjunction with financing obtained through the Authority, and furthermore, the Foundation has always held all the revenue rights for these dormitories. The Foundation has permitted these rent revenues to be pledged to the Authority's lender and as a result, the MOA also states the Foundation will provide funding to the Authority to pay any debt incurred by the Authority to fund construction of dormitories.

The Foundation provided \$500,000 of its dormitory revenue and \$40,400 of its fundraising revenue to the Authority during the fiscal year 2013 of which approximately \$495,091 was used to pay for the construction of the new dormitory.

Note 3: Long-term Debt

The following is a summary of long-term obligation transactions for the Authority for the year ended June 30, 2013:

On January 28, 2013, the Authority issued a promissory note in a principal amount not to exceed \$250,000 (the Note). The Note bears interest on the unpaid principal balance, payable monthly of 4.25% adjustable every five years and thereafter to an interest rate negotiated by the Borrower and Lender at a rate not to exceed the Chase Manhattan Prime Interest Rate plus 1.00% or any applicable statutory limitation, whichever is less. The Note is due in monthly installments, which begin on February 15, 2014 or the 15th day of the month following the date of the Project's completion. Principal maturities continue until January 28, 2029. Proceeds from the issuance of this note will be used to finance the construction of a new dormitory (the Project). The Note is secured by a first lien on and security interest in the revenues derived from the operation of the Project and any interest on any monies held by the Lender to secure payment of the Note.

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Notes payable	\$ -	\$ 6,200	\$ -	\$ 6,200	\$ -

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The debt service requirements for the Note are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2014	\$ 11,144	\$ 9,544	\$ 20,688
2015	12,662	9,907	22,569
2016	13,211	9,358	22,569
2017	13,783	8,785	22,568
2018	14,380	8,188	22,568
2019-2023	81,806	31,034	112,840
2024-2028	101,140	11,703	112,843
2029	1,874	7	1,881
	<u>\$ 250,000</u>	<u>\$ 88,526</u>	<u>\$ 338,526</u>

Note 4: Subsequent Event

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statement was available to be issued. Subsequent to year end, the Authority borrowed the remaining \$243,800 available on its note payable to finance the building of a new dormitory.