

**FINANCIAL STATEMENTS
AND REPORTS OF INDEPENDENT AUDITOR**

**LEFLORE COUNTY
EDUCATIONAL FACILITIES AUTHORITY
POTEAU, OKLAHOMA**

YEAR ENDED JUNE 30, 2015



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**LEFLORE COUNTY EDUCATIONAL
FACILITIES AUTHORITY
POTEAU, OKLAHOMA
JUNE 30, 2015**

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JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Trustees
LeFlore Co. Educational Facilities Authority
LeFlore County, Oklahoma

We have audited the accompanying financial statements of LeFlore County Educational Facilities Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic 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. Management is also responsible for 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 opinions 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. 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.

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 respective financial position of the LeFlore County Educational Facilities Authority, as of June 30, 2015 and the respective changes in net position and, where applicable, 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**

The Authority has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on these financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated June 24, 2016, on our consideration of the Authority's internal control over financial reporting and 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 the Authority's internal control over financial reporting and compliance.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

June 24, 2016



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

**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**

To the Board of Trustees
LeFlore Co. Educational Facilities Authority
LeFlore County, Oklahoma

We have audited, in accordance with the 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 LeFlore County Educational Facilities Authority as of June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 24, 2016. The Authority did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

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 significant deficiencies or material weaknesses. 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 the 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.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

June 24, 2016

**LEFLORE COUNTY EDUCATIONAL
FACILITIES AUTHORITY, POTEAU, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2015**

There were no findings.

FINANCIAL STATEMENTS

LEFLORE COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Assets

Noncurrent assets

 Restricted assets

 Cash and cash equivalents \$ 2,645,268

 Notes receivable 2,549

 Total restricted assets 2,647,817

 Total assets 2,647,817

Liabilities

Current liabilities

 Accrued interest payable 27,346

Noncurrent liabilities

 Unearned Income less current portion 2,815,000

 Bonds payable less current maturities (29,250)

 Total noncurrent liabilities 2,785,750

 Total liabilities 2,813,096

Net position

 Restricted for bond programs (165,279)

Total liabilities and net assets \$ 2,647,817

The accompanying notes are an integral part of the financial statements

**LEFLORE COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Operating revenues</u>		
Rent		\$ 1,500
Total operating revenues		<u>1,500</u>
<u>Operating expenses</u>		
Interest expense on bonds		<u>46,495</u>
Total operating expenses		<u>46,495</u>
Operating income (loss)		(44,995)
<u>Other financing sources (uses)</u>		
Investment income		125
Bond issuance costs		<u>(120,409)</u>
Total other financing sources (uses)		<u>(120,284)</u>
Change in net position		(165,279)
Net position, beginning of year		<u>-</u>
Net position, end of year		<u><u>\$ (165,279)</u></u>

The accompanying notes are an integral part of the financial statement

LEFLORE COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:

Rent and acquisition payments received	\$ 1,500
Payments of interest on bonds	(18,140)
Net cash provided (used) by operating activities	(16,640)

Cash Flows from Investing Activities:

Interest earnings	125
Net cash provided (used) by investing activities	125

Cash Flows from Financing Activities:

Receipts of bond proceeds	2,784,741
Payments of costs of issuance	(120,409)
Payments on bond program advances	(2,549)
Net cash provided (used) by financing activities	2,661,783

Net increase (decrease) in cash and cash equivalents 2,645,268

Cash and cash equivalents, beginning of period -

Cash and cash equivalents, end of period 2,645,268

Reconciliation of change in net position to net cash provided (used) by operating activities:

Change in net position	(44,995)
Adjustments to reconcile change in net position to net cash provided (used) by operating activities:	
Accrued interest expense on bonds	27,346
Amortization of bond premium and discount	1,009
Net cash provided (used) by operating activities	\$ (16,640)

The accompanying notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

**LEFLORE COUNTY EDUCATIONAL
FACILITIES AUTHORITY, POTEAU, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

1. Summary of Significant Accounting Policies

Nature of Operations

The Leflore County Educational Facilities Authority (LCEFA) is a public trust created under a Trust Indenture dated December 1, 2014, pursuant to 60 O.S. 176-180.3, with LeFlore County, Oklahoma named as the beneficiary. The purpose of the Authority is to function as an educational trust for the benefit of Panama Public Schools in LeFlore County, Oklahoma by providing assistance in the financing and construction of educational and cultural activity facilities. The LCEFA is not organized for profit and no part of its net earnings may inure to the benefit of any private person.

LCEFA by virtue of common control and dependence is a component unit of LeFlore County, Oklahoma. The Board of County Commissioners appoints Trustees of LCEFA. The Trustees are citizens and residents of LeFlore 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 LeFlore County and its other component units are not included in the financial statements of LCEFA.

Purposes of the Trust

- To function as an industrial trust to assist the Beneficiary, the State of Oklahoma, its governmental agencies and private entities, agencies and citizens in its charitable, scientific, literary or educational purposes and in making the most efficient use of all of their economic resources and powers in accord with the needs and benefit of the Beneficiary in order to lessen the burdens on government and to stimulate charitable, scientific, literary and educational economic development; to inventory the services, faculties and resources of the entire Beneficiary; to promote, stimulate, encourage and finance the growth and development of commerce, recreation, education and industry of the Beneficiary as a whole, all in order to achieve maximum utilization of the Beneficiary's human, charitable, scientific, literary, educational, economic, recreational, natural resources and tourist attractions; to foster and promote an industrial climate and the payroll of the Beneficiary.
- To promote, develop, own, construct, lease and finance charitable, scientific, literary, or educational facilities including housing, of any sort or description constituting real and/or personal property.
- 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.

**LEFLORE COUNTY EDUCATIONAL
FACILITIES AUTHORITY, POTEAU, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

1. Summary of Significant Accounting Policies – contd.

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 funds consist of the Panama Public Schools Project 2014. The accounts of LCEFA are organized on the basis of this project and the general fund. The bond program and the general fund have been presented on a combined basis because LCEFA is considered a single enterprise fund for financial reporting purposes.

Basis of Accounting

LCEFA accounts for its activities within a proprietary fund. LCEFA activities meet the definition of a proprietary fund because it is the intent of LCEFA 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 position. Proprietary fund operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The accrual basis of accounting is used by the proprietary fund. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred. All applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements are followed.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

**LEFLORE COUNTY EDUCATIONAL
FACILITIES AUTHORITY, POTEAU, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

1. Summary of Significant Accounting Policies – contd.

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

LCEFA 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 Premiums and Discounts

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 LCEFA incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position.

**LEFLORE COUNTY EDUCATIONAL
FACILITIES AUTHORITY, POTEAU, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

1. Summary of Significant Accounting Policies – contd.

Capital Assets

These assets are recorded at cost and depreciated over a useful life of the assets on straight-line basis. Maintenance and repairs are expensed 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-exchanges transactions.

Budgetary Comparison

Budgetary comparison information is required to be presented for the general fund with legally adopted budget. LCEFA is not legally required to adopt a budget. Therefore, budget comparison information is not included in the Authority's financial statements.

2. Cash and Investments

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a bank failure, LCEFA's deposits may not be returned to it. LCEFA follows state law requiring collateral to manage custodial credit risk. LCEFA was not exposed to custodial credit risk as of June 30, 2015.

As of June 30, 2015, \$2,645,268 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 position, these funds are classified as cash equivalents.

Concentration of Investment Credit Risk

LCEFA's investments are concentrated in money market mutual funds 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.

**LEFLORE COUNTY EDUCATIONAL
FACILITIES AUTHORITY, POTEAU, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

3. 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 LCEFA, 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, LCEFA, LeFlore County or Panama Public Schools 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:

	<u>Balance 7/1/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/15</u>
2014 Series (Panama Public Schools Project) issued 12/1/14 Final maturity 9/1/29 interest 2%-3.625%	\$ -	2,815,000.00	-	2,815,000.00
				-
less deferred bond discount and premium		<u>30,259.00</u>	<u>(1,009.00)</u>	<u>29,250.00</u>
	<u>\$ -</u>	<u>2,784,741.00</u>	<u>1,009.00</u>	<u>2,785,750.00</u>

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

<u>Fiscal Years</u>	<u>Principal and Interest</u>	<u>less Interest</u>	<u>Principal</u>
2015-2016	\$ 58,956.00	58,956.00	-
2016-2017	251,631.00	81,631.00	170,000.00
2017-2018	248,231.00	78,231.00	170,000.00
2018-2019	249,831.00	74,831.00	175,000.00
2019-2020	251,331.00	71,331.00	180,000.00
2020-2025	1,257,055.00	287,055.00	970,000.00
2025-2030	1,274,202.00	124,202.00	1,150,000.00
	<u>\$ 3,591,237.00</u>	<u>776,237.00</u>	<u>2,815,000.00</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. LCEFA is not obligated in any manner for repayment.

**LEFLORE COUNTY EDUCATIONAL
FACILITIES AUTHORITY, POTEAU, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

4. Notes Receivable

The following summarizes the rental and acquisition payments to be received from Panama Public Schools under the sublease agreement:

<u>Year Ending 6/30</u>	<u>Rental Payments</u>	<u>Acquisition Payments</u>	<u>Total Payments</u>
2016	\$ 3,000.00	-	3,000.00
2017	3,000.00	250,750.00	253,750.00
2018	3,000.00	250,750.00	253,750.00
2019	3,000.00	250,750.00	253,750.00
2020	3,000.00	250,750.00	253,750.00
2021-2025	15,000.00	1,253,750.00	1,268,750.00
2026-2030	13,500.00	1,253,750.00	1,267,250.00
	<u>\$ 43,500.00</u>	<u>3,510,500.00</u>	<u>3,554,000.00</u>

5. Cost of Issuance

Initial Cost of Issuance includes the Underwriter's Discount, Underwriter Counsel, Bond Counsel, Authority Counsel, District Counsel, Financial Advisor, Trustee Bank, printing expense and other miscellaneous approved expenses included in the non-operating expenses.