

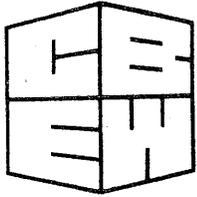
PAWNEE COUNTY EDUCATIONAL FACILITIES AUTHORITY
Pawnee, Oklahoma

BASIC FINANCIAL STATEMENTS
Period July 1, 2014 through September 30, 2014

PAWNEE COUNTY EDUCATIONAL FACILITIES AUTHORITY
Pawnee, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

March 18, 2015

Board of Trustees
Pawnee County Educational Facilities Authority
Pawnee, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Pawnee County Educational Facilities Authority (PCEFA), a component unit of Pawnee County, Oklahoma, as of and for the period July 1, 2014 through September 30, 2014, 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.

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 the business-type activities of the Pawnee County Educational Facilities Authority as of the period July 1, 2014 through September 30, 2014, and the changes in financial position and cash flows thereof for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Pawnee County Educational Facilities Authority, a component unit of Pawnee County, Oklahoma, and do not purport to, and do not, present fairly the financial position of Pawnee County, Oklahoma, as of the period July 1, 2014 through September 30, 2014, and the changes in its financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

PCEFA has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 (GASB), 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 the basic 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 our report dated March 18, 2015, on our consideration of the Pawnee County Educational 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 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 Pawnee County Educational Facilities Authority's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

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Certified Public Accountants

PAWNEE COUNTY EDUCATIONAL FACILITIES AUTHORITY
Pawnee, Oklahoma

STATEMENT OF NET POSITION
As of the period July 1, 2014 through September 30, 2014

	<u>September 30,</u> <u>2014</u>
Assets:	
Cash and investments:	
Cash and cash equivalents (Note 1)	\$ 8,321
Restricted assets:	
Bond fund/cash & investments (Note 3)	-
Capital assets:	
Land and work in process	-
Less accumulated depreciation	-
	<hr/>
Total assets	<u>8,321</u>
Deferred outflows of resources:	
Total deferred outflows	<hr/> -
Current liabilities:	
Encumbrances Payable	8,321
Accrued interest payable	-
Current portion of revenue bonds payable	-
Total current liabilities	<hr/> 8,321
Long-term liabilities:	
Revenue bonds payable (Note 3)	-
Less: current portion	-
Total long-term liabilities	<hr/> -
Total liabilities	<hr/> 8,321
Deferred inflows of resources:	
Total deferred inflows	<hr/> -
Net position:	
Invested in capital assets, net of related debt	-
Restricted	-
Unrestricted	-
	<hr/>
Total net position	\$ <u><u>-</u></u>
Total liabilities and net position	<u><u>8,321</u></u>

The accompanying notes are an integral part of the basic financial statements.

PAWNEE COUNTY EDUCATIONAL FACILITIES AUTHORITY
Pawnee, Oklahoma

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For the Period July 1, 2014 through September 30, 2014

	<u>September 30, 2014</u>
Revenues:	
Administrative fee income	\$ 5,380
Rent Income	<u>2,550,000</u>
Total revenues	<u>2,555,380</u>
Expenses:	
Audit	8,321
Bank fees	-
Total expenses	<u>8,321</u>
Operating income (loss)	<u>2,547,059</u>
Other income and expense:	
Interest income	19
Interest expense	(8,399)
Trustee fees	(13,725)
Transfer to Cleveland School District	<u>(2,835,000)</u>
Total other income and expense	<u>(2,857,105)</u>
Net income (loss)	(310,046)
Net position - beginning of year	<u>310,046</u>
Net position - end of year	<u>\$ -</u>

The accompanying notes are an integral part of the basic financial statements.

PAWNEE COUNTY EDUCATIONAL FACILITIES AUTHORITY
Pawnee, Oklahoma

STATEMENT OF CASH FLOWS
For the Period July 1, 2014 through September 30, 2014

	<u>September 30,</u> <u>2014</u>
Cash flows from operating activities:	
Cash Reimbursements	\$ -
Cash payments to suppliers for goods and contractors and other services	-
Other operating revenues	2,555,380
Net cash provided by operating activities	<u>2,555,380</u>
Cash flows from investing activities	
(Purchase) liquidation of investments	-
Interest income	19
Transfer of activities to Cleveland School District	-
Net cash provided (used) by investing activities	<u>19</u>
Cash flows from financing activities:	
Bond proceeds (payments)	(2,545,000)
Acquisition and construction of capital assets	-
Principal paid on debt	-
Interest expense	(25,451)
Trustee fees	(13,725)
Net cash provided (used) for capital and related financing activities	<u>(2,584,176)</u>
Net increase (decrease) in cash	(28,777)
Cash and cash equivalents at beginning of year	<u>37,098</u>
Cash and cash equivalents at end of year	<u>\$ 8,321</u>
Reconciliation of operation income to net cash provided by operating activities:	
Operating income (loss)	\$ <u>2,547,059</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	-
Change in assets and liabilities:	
Increase (decrease) in unearned revenues	
Increase (decrease) in encumbrances payable	8,321
Total adjustments	<u>8,321</u>
Net cash provided by operating activities	<u>\$ 2,555,380</u>

The accompanying notes are an integral part of the basic financial statements.

PAWNEE COUNTY EDUCATIONAL FACILITIES AUTHORITY
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
The period July 1, 2014 through September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Management

Pawnee County Educational Facilities Authority (PCEFA) is a public trust created July 16, 2012 under the authority and pursuant to the provisions of Title 60, Oklahoma Statutes 2011, Sections 176-180.3, as amended in the Oklahoma Trust Act. PCEFA was created generally to promote the development of educational activities within the County, and is exempt from State and Federal income taxes. The Authority issued 2012 Series Bonds for the purpose of acquiring school buildings, school furniture, fixtures and equipment, and school sites.

PCEFA by virtue of common control and dependence is a component unit of Pawnee County, Oklahoma. A three-member board was appointed by the Board of County Commissioners to serve as Trustees of the Authority. Pawnee County maintains beneficial interest in PCEFA. The financial activities of Pawnee County and its other component units are not included in the financial statements of PCEFA.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accounts of the PCEFA are organized as a proprietary fund that is considered to be a separate accounting entity. The operations of the fund are summarized by providing a separate set of self-balancing accounts that include its assets, liabilities, net position, revenues and expenses. A proprietary fund is used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing facilities is financed through user charges. Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) are included in the balance sheet.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize PCEFA to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, PCEFA can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, PCEFA's cash and cash equivalents are considered to be; cash on hand, demand deposits, and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments.

Custodial Credit Risk

At September 30, 2014, PCEFA held unrestricted deposits of approximately \$8,321, at financial institutions. PCEFA's cash deposits, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by PCEFA or by its agent in PCEFA's name.

PAWNEE COUNTY EDUCATIONAL FACILITIES AUTHORITY
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
The period July 1, 2014 through September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Continued)

Investment Interest Rate Risk

PCEFA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

PCEFA has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The cash and investments held at September 30, 2014 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Cash and investments				
Money Market	N/A	AAAm	\$ 8,321	\$ 8,321
Total cash and investments			<u>\$ 8,321</u>	<u>\$ 8,321</u>

Concentration of Investment Credit Risk

PCEFA places no limit on the amount it may invest in any one issuer. PCEFA has the following of credit risk: 100% in Money Market funds (\$8,321).

PAWNEE COUNTY EDUCATIONAL FACILITIES AUTHORITY
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
The period July 1, 2014 through September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

2. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held in accounts with the Trustee bank. Under the terms and provisions of the Bond Indenture, these special accounts and reserve funds are maintained for the benefit of the holders of the bonds and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any bonds are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

3. Fair Value of Financial Instruments

PCEFA's financial instruments include cash and cash equivalents, temporary investments, interest receivable and encumbrances payable. PCEFA's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Inventories

Inventories consist of minimal amounts of expendable supplies held for consumption. The costs of inventories are recorded as expenditures when purchased rather than when consumed.

6. Capital Assets

Additions to the buildings and equipment are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation for major movable equipment and building and improvements is computed on the straight-line method over useful lives of 5-20 years for equipment and 100 years for buildings and improvements.

7. Compensated Absences

PCEFA has no employees and thus does not provide sick leave or vacation. There is no recorded liability for compensated absences.

PAWNEE COUNTY EDUCATIONAL FACILITIES AUTHORITY
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
The period July 1, 2014 through September 30, 2014

2. CAPITAL ASSETS

The following is a summary of changes in property and equipment.

	Balance 7/1/14	Additions	Deletions	Balance 9/30/14
Construction in process	\$ 2,835,000	\$ -	\$ 2,835,000	\$ -
Total	2,835,000	-	2,835,000	-
Less accumulated depreciation	-	-	-	-
Net	<u>\$ 2,835,000</u>	<u>\$ -</u>	<u>\$ 2,835,000</u>	<u>\$ -</u>

	Balance 7/1/13	Additions	Deletions	Balance 6/30/14
Construction in process	\$ 2,835,000	\$ -	\$ -	\$ 2,835,000
Total	-	-	-	-
Less accumulated depreciation	-	-	-	-
Net	<u>\$ 2,835,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,835,000</u>

3. LONG-TERM DEBT

PCEFA's General Obligation Bonds Series 2012 were issued for acquiring school buildings, school furniture, fixtures and equipment, and school sites, for the benefit of the Cleveland School District.

PCEFA's long-term debt and amounts to be repaid from business-type activities are described below.

\$2,835,000 Series 2012 General Obligation Bond dated August 1, 2012 due in annual installments of \$290,000 to \$2,545,000 through September 1, 2014 with interest payable semi-annually at 2%.

The following is a summary of long-term debt transactions of PCEFA:

	Original Amount	Balance Outstanding 6/30/14	Issued	Retired, or Defeased During Year	Balance Outstanding 9/30/14
PCEFA:					
Series 2012 Debt	\$ 2,835,000	\$ 2,545,000	\$ -	\$ 2,545,000	\$ -
Total	<u>\$ 2,835,000</u>	<u>\$ 2,545,000</u>	<u>\$ -</u>	<u>\$ 2,545,000</u>	<u>\$ -</u>

4. RISK MANAGEMENT

PCEFA is exposed to various risks of loss related to general liability and torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Property insurance coverage is being provided through the Association of County Commissioners of Oklahoma Self-Insurance Group.

PAWNEE COUNTY EDUCATIONAL FACILITIES AUTHORITY
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
The period July 1, 2014 through September 30, 2014

5. LEASE AGREEMENT

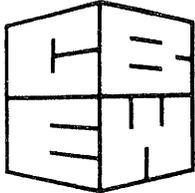
On August 1, 2012, PCEFA entered into a lease agreement with the Cleveland School District. The lease term is for 1 year, with option to renew, and semiannual regular payments of \$50,000 are due September 1 and March 14 for each year the lease is in effect. Annual irregular payments of \$215,000 and \$2,500,000 are due on September 1, 2013 and 2014. PCEFA received \$2,550,000 for the period ended September 30, 2014 for real property rental. The Series 2012 Bonds were completely paid during the period ended September 30, 2014. and the real property was transferred to the school district.

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

PAWNEE COUNTY EDUCATIONAL FACILITIES AUTHORITY
Pawnee, Oklahoma

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
Period July 1, 2014 through September 30, 2014



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**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**

March 18, 2015

Board of Trustees
Pawnee County Educational Facilities Authority
Pawnee, 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 the business-type activities of the Pawnee County Educational Facilities Authority (PCEFA), a component unit of Pawnee County, Oklahoma, as of and for the period July 1, 2014 through September 30, 2014, and the related notes to the financial statements, which collectively comprise PCEFA's basic financial statements, and have issued our report thereon dated March 18, 2015. PCEFA 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 PCEFA's internal control over financial reporting (internal control) to determine the audit 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 PCEFA's internal control. Accordingly, we do not express an opinion on the effectiveness of PCEFA'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.

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 PCEFA'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*.

Pawnee County Educational Facilities Authority
March 18, 2015

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.

CBEW Professional Group, LLP

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Certified Public Accountants