Dewey Educational Facilities Authority

Dewey, Oklahoma

Basic Financial Statements
June 30, 2014

TURNER & ASSOCIATES, PLC
Certified Public Accountants
P.O. Box 378
Vinita, OK 74301
(918) 256-6788

Dewey Educational Facilities Authority
Board of Trustees
June 30, 2014

Dewey Educational Facilities Authority
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TURNER
& ASSOCIATES, PLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dewey Educational Facilities Authority
Dewey, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Dewey Educational Facilities Authority, a component unit of the City of Dewey, as of and for the year ended June 30, 2014, 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; 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 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 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. 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 opinions.

As discussed in Note I, the financial statements present only the Dewey Educational Facilities Authority and do not purport to, and do not present fairly the financial position of the City of Dewey, Oklahoma, as of June 30, 2014, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

224 West Flint Ave., Vinita, OK 74301
Phone: 918.256.6788 Fax: 918.256.3739

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the component unit activities of the Dewey Educational Facilities Authority, as of June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the budgetary comparison information 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 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 December 11, 2014, on our consideration of the 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 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Turner & Associates, PLC

Vinita, Oklahoma
December 11, 2014

TURNER
& ASSOCIATES, PLC
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Dewey Educational Facilities Authority
Dewey, 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 the special revenue fund of the Dewey Educational Facilities Authority, Dewey, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Dewey Educational Facilities Authority's financial statements, and have issued our report thereon dated November 18, 2014. The Dewey Educational Facilities Authority did not present the Budgetary Comparison Schedule that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Dewey Educational Facilities Authority'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 the Dewey Educational Facilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Dewey Educational 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 was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting, describe in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses.

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.

224 West Flint Ave., Vinita, OK 74301
Phone: 918.256.6788 Fax: 918.256.3739

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dewey Educational 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2014-1.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Turner & Associates, PLC

Vinita, Oklahoma
December 11, 2014

Dewey Educational Facilities Authority
Schedule of Findings and Responses
For the Year Ended June 30, 2014

FINDINGS - FINANCIAL STATEMENT AUDIT

2014-1 Preparation of a Budget

Criteria:
According to Oklahoma State Statute (60 O.S., S. 176.G.) public trusts created pursuant to this section shall file annually, with their respective beneficiaries, copies of financial documents and reports sufficient to demonstrate the fiscal activity of such trust, including, but not limited to, budgets, financial reports, bond indentures, and audits. Amendments to the adopted budget shall be approved by the trustees of the public trust and recorded as such in the official minutes of such trust.

Condition:
The Authority is required by state statute to prepare and file a budget annually.

Cause:
Management was under the impression that the Authority was not required to prepare a budget; therefore a budget had never been prepared.

Effect:
The Authority is not in compliance with state statute.

Recommendation:
We recommend that the Authority implement procedures to prepare an annual budget and file it with the city.

Client Response:
The Authority understands the requirement to prepare a budget and file it annually with the beneficiary and will do so in the future.

Dewey Educational Facilities Authority
Dewey, Oklahoma
Management's Discussion and Analysis
June 30, 2014

Our discussion and analysis of Dewey Educational Facilities Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Authority's financial statements which begin on page 9.

On July 15, 2013 the Authority was created for the purpose of issuing bonds and entering into a lease agreement with Dewey Public Schools to finance an expansion to the elementary school, improvements to school buildings, furnishings, an indoor practice facility, synthetic turf for the football field, resurface of the track, and installment of security features in all entrances., Bonds were issued on August 22, 2013 in the amount of $6,240,000, to mature on September 1, 2021 with a stated interest rate of 2.0-3.375%. The lease agreement commenced on August 22, 2013 and requires Dewey Public School District to make biennial lease payments starting on September 1, 2015 and ending on September 1, 2021. The interest rate on the lease agreement is 2.152%.

FINANCIAL HIGHLIGHTS

- The Authority's Net Assets decreased by $85,108 as a result of this year's operations.

- Total revenues were $81,120.

- Additions to capital assets during the year included construction in progress of $2,070,283 which is comprised of $1,975,319 in construction costs and $94,964 of capitalized interest paid and accrued on the outstanding bonds.

- Bond Issue Costs of $116,850, Trustee Fees of $6,500, and a Bond Discount of $42,879 are all recognized in the current period.

USING THIS ANNUAL REPORT

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Other Required Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Balance Sheet includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine profitability, credit worthiness and whether the Authority has successfully recovered all its costs through lease income and other charges. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report the net assets of the Authority and changes in them. You can think of the Authority's net assets—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

The Authority's total Net Position decreased $85,108 in the current year. Our analysis below focuses on the Authority's net position (Table 1) and changes in net position (Table 2) during the year.

Table 1

	June 30, 2014
Current Assets	$ 2,063,118
Noncurrent Assets	6,408,653
Total Assets	8,471,771
Current Liabilities	36,879
Long-Term Liabilities	4,260,000
Total Liabilities	4,296,879
Deferred Inflows of Resources	4,260,000
Net Position, Restricted	2,062,118
Net Position, Unrestricted	(2,147,226)
Total Net Position	$ (85,108)

The decrease in net assets is mostly due to the costs associated with issuing the bonds, which are all expensed in the current period.

The Authority leases capital assets (e.g. improvements to the school buildings) to the Dewey Public School District which uses them to provide services to students. Consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Changes in the Authority's net assets can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Position for the year.

Table 2

	June 30, 2014
Rental Income	$ 2,500
Nonoperating Interest Income	78,621
Bond Costs	(116,850)
Trustee Fees	(6,500)
Underwriter's Discount	(42,879)
Decrease in Net Assets	(85,108)
Net Assets, Beginning of Year	-
Net Assets, End of Year	$ (85,108)

The Authority's primary source of revenue in the current year is interest revenue, which is mainly comprised of accrued interest receivable from Dewey Public Schools.

Major expenses are bond issue costs and an underwriter's discount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the Authority had $2,070,283 invested in capital assets, including construction in progress and capitalized interest.

Debt

As of June 30, 2013, the Authority had $4,260,000 in bonds outstanding. The 2013 Series Bonds are the Authority's only debt. The Authority's total obligations did not change during the year because principle repayment has not yet been made.

Additional information on the Authority's long-term debt can be found in Note II on page 16 of this report.

ECONOMIC FACTORS

In considering the Authority's financial condition, the Board estimates that revenues and expenses in the coming year will approximate actual revenues and expenses for the past fiscal year.

The Authority will pay the bonds off in September 2021.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Dewey City Clerk at 411 East Don Tyler Avenue Dewey, Oklahoma 74029.

Dewey Educational Facilities Authority
Statement of Net Position
June 30, 2014

ASSETS		
Current Assets		
Cash and Cash Equivalents, Restricted	$	2,062,117.90
Rent Receivable		1,000.00
Total Current Assets		2,063,117.90
Noncurrent Assets		
Accrued Interest Receivable		78,369.89
Lease Purchase Receivable		4,260,000.00
Construction in Progress		2,070,282.84
Total Noncurrent Assets		6,408,652.73
Total Assets		8,471,770.63
LIABILITIES		
Current Liabilities		
Accrued Interest Payable		36,879.17
Long Term Liabilities		
Bonds Payable		4,260,000.00
Total Liabilities		4,296,879.17
Deferred Inflows of Resources		
Deferred Gain on Capital Lease		4,260,000.00
NET POSITION		
Restricted		2,062,117.90
Unrestricted		(2,147,226.44)
Total Net Position	$	(85,108.54)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Dewey Educational Facilities Authority
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2014

Operating Revenues	
Rental Income	$ 2,500.00
Operating Expenses	
Underwriter's Discount	(42,879.00)
Bond Costs	(116,850.00)
Trustee Fees	(6,500.00)
Total Operating Expenses	(166,229.00)
Net Income (Loss) From Operations	(163,729.00)
Non Operating Revenue (Expense)	
Interest Income	78,620.46
Net Income (Loss)	(85,108.54)
Net Assets, Beginning of Year	-
Net Assets, End of Year	$ (85,108.54)

Dewey Educational Facilities Authority
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash Flows from Operating Activities		
Cash Inflows:		
Payments Received from Customers	$	1,500.00
Cash Flows from Capital and Related Financing Activities		
Proceeds from Issuance of Bonds, net of Issuance Costs		4,100,271.00
Purchase of Capital Assets- Construction in Progress		(2,033,403.67)
Trustee Fees		(6,500.00)
Total		2,060,367.33
Cash Flows from Investing Activities		
Interest Received from Investments		250.57
Net Cash Inflow (Outflow) from All Activities		2,062,117.90
Cash and Cash Equivalents at Beginning of Year		-
Cash and Cash Equivalents at End of Year	$	2,062,117.90
Cash and Cash Equivalents		
Restricted Cash and Cash Equivalents at End of Year	$	2,062,117.90
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Net Operating Income (Loss)	$	(163,729.00)
Underwriter's Discount		42,879.00
Bond Costs		116,850.00
Trustee Fees		6,500.00
Rent Receivable		(1,000.00)
Net Cash Provided by Operating Activities	$	1,500.00

The accompanying Notes to the Financial Statements are an integral part of this statement.

Dewey Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

The following notes to the financial statements are an integral part of Dewey Educational Facilities Authority's financial statements.

I. Summary of Significant Accounting Policies

Dewey Educational Facilities Authority, Dewey, Oklahoma (the Authority) was established as a Trust for the use and benefit of the Beneficiary for the public purposes hereinafter set forth, under the provisions of Title 60, Oklahoma Statues 2001, Sections 176 to 180.4, inclusive, as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The Trust is to assist the Beneficiary in making the most efficient use of all their economic resources and powers to lessen the burden on government and to stimulate educational growth and development; promote the educational wellbeing of the Beneficiary by improving available resources, increasing meaningful job opportunities, promoting entrepreneurism and capital investment. The Trust is to conduct all business related to providing the necessary educational facilities and/or services; to plan, establish, develop, construct, finance, enlarge, remodel, acquire, improve, make alternations, extend, maintain, equip, operate, lease, furnish and regulate any facilities related to any of the foregoing, and if desired, to lease such facilities and to operate the same in connection therewith, and to do, perform, own, acquire, construct or engage in or finance any other enterprise or activity, project or facility to such extent and in such manner as now is or may be considered a proper and lawful function of public trust entities within the State of Oklahoma. The Authority began operation on July 15th, 2013. The Authority is exempt from federal and state income taxes.

On July 15th, 2013 the Board of Trustees of the Authority approved the Dewey Educational Facilities Authority Educational Facilities Lease Revenue Bonds, Series 2013 between the Authority and Bank of Oklahoma (the Trustee) providing for the issuance of Revenue Bonds in the aggregate principal amount of $4,260,000 less the bond issuance costs and discount of $166,229.

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

A. Financial Reporting Entity

The Authority complies with GASB Statement No. 14, *"The Financial Reporting Entity."* This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

Dewey Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an *"economic resources"* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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. The principal operating revenues of the Authority's enterprise fund is rent due semi-annually from Dewey Schools. Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Net Position, and Revenues

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Trust considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Dewey Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Position, and Revenues (continued)

2. Fair Value of Financial Instruments

The Authority's financial statements include cash and investments. The Authority'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.

3. Restricted Assets

Restricted assets include investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the bond indenture require that funds be held in a bond fund which is comprised of the reserve account, debt service account, and improvement account. Under the terms and provisions of the indenture, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the bonds are outstanding.

4. Rent Receivable

The Authority receives semi-annual rent payments from Dewey Public Schools in the amount of $1,500.

5. Capital Assets

Additions to capital assets during the year included construction in progress of $2,070,283 which is comprised of $1,975,319 in construction costs and $94,964 of capitalized interest paid and accrued on the outstanding bonds. The Authority has no depreciable assets.

6. Accrued Interest Payable

Interest payments on the 2013 Series Bonds are due semi-annually on March 1 and September 1 each year until maturity. Interest payable is accrued from March 1 through June 30 on all bonds.

7. Long-Term Obligations

Long-term debt is reported as a liability in the Authority's balance sheet. Bond premiums and discounts, as well as issuance costs, are expensed in the current period.

8. Deferred Revenue

The Authority entered into a lease agreement with Dewey Public Schools. The 2013 Bond Series proceeds are used to complete improvements and updates to Dewey Public School Facilities. The improvements are being sold to Dewey Public Schools through a lease agreement.

Dewey Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Position, and Revenues (continued)

9. Equity Classifications

Equity is classified as net position and displayed in three components:

a. Invested in capital assets, net of related debt --- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
b. Restricted net position --- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
c. Unrestricted net position --- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

10. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

II. Detailed Notes Concerning the Funds

A. Cash

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's cash deposits, are maintained in financial institutions. As of June 30, 2014, none of the Authority's deposits were exposed to custodial credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority 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.

Repurchase agreements: The Authority is invested in Federated Treasury Obligations. According to the Federated Treasury Obligation Fund portfolio, 38.3% of the investments are subject to repurchase agreements. The Authority's investments are collateralized by Treasury securities; however, current and future holdings are subject to risk.

Dewey Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

II. Detailed Notes Concerning the Funds (continued)

B. Long-Term Debt

The Authority issued bonds in the amount of $4,260,000 on August 22, 2013. Interest on the bonds is payable March 1st and September 1st at varying rates. The Authority has a total of (4) principal payments, beginning September 1, 2015.

Debt service requirements for the 2008 Series Bonds are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2015	$ -	$ 110,437.50	$ 110,437.50
2016	985,000.00	100,787.50	1,085,787.50
2017	0.00	90,937.50	90,937.50
2018	1,025,000.00	80,046.88	1,105,046.88
2019	0.00	69,156.26	69,156.26
2020-2022	2,250,000.00	113,125.65	2,363,125.65
Total	$ 4,260,000.00	$ 564,491.29	$ 4,824,491.29

C. Changes in Long-Term Debt

Long-term debt consists of bonds payable. The following is a summary of the changes in long-term debt of the Authority for the fiscal year.

	Balance June 30, 2013	Advances	Payments	Balance June 30,2014	Due within One Year
Bonds Payable	$ -	$ 4,260,000.00	$ -	$ 4,260,000.00	$ -

D. Lease Purchase Agreement (Sub Lease)

The Authority has a commitment with the Dewey Public Schools to lease the improvements to the school facilities. Future minimum rental commitments for operating leases as of June 30, 2014 are as follows:

Year Ended June 30,	Rent
2015	$ 3,000.00
2016	3,000.00
2017	3,000.00
2018	3,000.00
2019	3,000.00
2020-2022	7,500.00
Total	$ 22,500.00

The rent is due in equal semi-annual installments on or before the 1st of September and March ending September 1, 2021.

Dewey Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

II. Detailed Notes Concerning the Funds (continued)

E. Capital Lease Agreement (Ground Lease)

The Authority has entered into an agreement to lease the improvements to Dewey Public Schools.

The following schedule presents future minimum lease payments as of June 30, 2014:

Year Ended June 30,	Principal	Interest	Total Requirements
2015	$ -	$ -	$ -
2016	996,872.69	185,877.31	1,182,750.00
2017	0.00	0.00	0.00
2018	1,042,101.06	140,648.94	1,182,750.00
2019	0.00	0.00	0.00
2020-2022	2,221,026.25	144,473.75	2,365,500.00
	$ 4,260,000.00	$ 471,000.00	$ 4,731,000.00

The Authority leases the improvements to the school facilities to the Dewey Public Schools at an interest rate of 2.152%. The terms of this lease commenced on August 22, 2013 and extend to September 1, 2021 under the terms of the indenture and so long thereafter as long as any Bond shall remain outstanding and unpaid. Upon fulfilling the lease obligation, the Authority agrees to execute and deliver to the Dewey Public Schools a deed or bill of sale, as appropriate, to convey legal title to the improvements to the facilities.

III. Other Information

A. Economic Dependence

During the fiscal year ended June 30, 2014, the Authority reported lease revenues of $2,500 pursuant to its lease agreement with the Dewey Public Schools, Dewey, Oklahoma. This amount represents 100% of the Authority's total operating revenues.

B. Subsequent Events

Management has evaluated subsequent events through December 11, 2014, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.