

**Chouteau Educational Facilities Authority  
(a Component Unit of the Town of Chouteau)  
Financial Statements and Independent Auditor's  
Reports**

**As of and for the year ended June 30, 2018**



**2018**

## CHOUTEAU EDUCATIONAL FACILITIES AUTHORITY

*A Component Unit of the Town of Chouteau*

CHOUTEAU, OKLAHOMA

### TABLE OF CONTENTS

Independent Auditor's Report	2-3
The Basic Financial Statements:	
Statement of Net Position (Modified Cash Basis)	4
Statement of Revenue, Expense, and Change in Net Position (Modified Cash Basis)	5
Statement of Cash Flows (Modified Cash Basis)	6
Notes to the Basic Financial Statements	7-10
Internal Control and Compliance:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11-12

#### **Principal Office**

Chouteau Town Hall  
111 S Lewis  
Chouteau, Oklahoma 74337  
918-476-5902

#### **Board of Trustees**

Frank Klucsevsek	Chairman
Randy Grossman	Trustee
Brenda Cunningham	Trustee
David Morgan	Trustee
Cecil Lane	Trustee

#### **Secretary of Trustees**

Donna Smith

## Elfrink and Associates, PLLC

---

3119 E 87<sup>th</sup> Street  
Tulsa, Oklahoma 74137

Member AICPA, OSCP, and GFOA

918-361-2133  
Fax: 918-512-4280

### INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Trustees  
Chouteau Educational Facilities Authority  
Chouteau, Oklahoma

We have audited the accompanying modified cash basis financial statements of the Chouteau Educational Facilities Authority ("Authority"), as of and for the year ended June 30, 2018, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 error or fraud.

#### **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 respective modified cash basis financial position of the Chouteau Educational Facilities Authority, as of June 30, 2018, and the changes in modified cash basis financial position and cash flows, thereof for the year ended June 30, 2018 in accordance with the basis of accounting as described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified 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 that matter.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018, 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 the results of that testing, and not to provide an opinion on 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 Chouteau Educational Facilities Authority's internal control over financial reporting and compliance.



Elfrink and Associates, PLLC

Tulsa, Oklahoma  
October 10, 2018

**Statement of Net Position – (Modified Cash Basis) – June 30, 2018**

**ASSETS**

Current Assets:

Cash and cash equivalents	<u>\$ 16,572</u>
Total current assets	<u><u>\$ 16,572</u></u>

**NET POSITION**

Unrestricted	<u>\$ 16,572</u>
Total net position	<u><u>\$ 16,572</u></u>

See accompanying notes to the basic financial statements

**Statement of Revenue, Expense and Change in Net Position – Modified Cash Basis**

**For the year ended June 30, 2018**

**Operating Revenue**

Administrative income	\$ 6,145
Total operating revenues	<u>6,145</u>

**Operating Expense**

Audit fee	<u>2,000</u>
Total operating expense	<u>2,000</u>

Change in net position 4,145

Net position - beginning of year 12,427

Net position - end of year \$ 16,572

See accompanying notes to the basic financial statements

**Statement of Cash Flows – Modified Cash Basis**

**For the year ended June 30, 2018**

**Cash flows from operating activities:**

Receipt from customer	6,145
Payment to vendor	<u>\$ (2,000)</u>
Net cash used in operating activities	<u>4,145</u>
Net increase in cash and cash equivalents	4,145
Beginning cash and cash equivalents	<u>12,427</u>
Ending cash and cash equivalents	<u><u>\$ 16,572</u></u>

See accompanying notes to the basic financial statements

## Notes to the Basic Financial Statements

### 1. Summary of Significant Accounting Policies

#### A. Financial Reporting Entity

The Chouteau Educational Facilities Authority (“Authority”), is a public trust created for the benefit of the Town of Chouteau, Oklahoma (“Town” or “Beneficiary”). The Authority was created under provisions of the Oklahoma Statutes by Declaration of Trust on April 14, 2014, to furnish the Beneficiary with services and facilities, promote local industrial development, provide cultural and educational activities and facilities, and to assist in financing and constructing other facilities, all for the benefit of the Town. The elected Town’s officials are the Authority’s trustees. The Authority is empowered to borrow money and to pledge assets, properties and revenue as security against its borrowings. The Authority has no taxing power and is not legally required to adopt a budget.

The Authority generally does not acquire any assets or incur any liabilities when it issues bonds for eligible entities. It may earn and collect administrative fees and must be informed of the unpaid balances. If, however, the Authority manages the assets and liabilities and does not assign them, the assets and liabilities would be recognized.

The accompanying financial statements include all functions and activities over which the Authority exercises financial accountability. The Chouteau Educational Facilities Authority is a component unit of the Town of Chouteau, Oklahoma. The Town of Chouteau, Oklahoma’s financial information is not presented in these financial statements. The Town’s financial statements may be found at [www.sai.ok.gov](http://www.sai.ok.gov), the Oklahoma State Auditor and Inspector’s website.

#### 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 refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The Authority's financial statements use the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recognized when paid. If the Authority utilized the basis of accounting generally accepted in the United States, the financial statements would use the accrual basis of accounting. Under this basis of accounting, revenues would be recognized when earned and expenses would be recorded when the liability is incurred or economic asset is used.

**D. Assets, Liabilities, and Net Position**

Cash and cash equivalents

For the purpose of the statement of cash flows, the Authority considers all cash on hand, demand deposit accounts, interest bearing checking accounts, and time deposit accounts including certificates of deposit with maturities of three months or less to be cash and cash equivalents.

Notes payable

Notes payable to be repaid from the Authority's resources are reported as liabilities on the balance sheet. The Authority had no notes payable as of June 30, 2018.

Net position

Net position is divided into three components:

- a. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – Consists of net assets with constraints placed on their use by 1) external groups such as creditors, grantors, contributors, or laws and 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 "net investment in capital assets".

It is the Authority's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which restricted and unrestricted net position are available.

**E. Revenues and expenses**

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as service fees.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as grants from other governments, gifts and contributions, and other revenue sources that are defined as nonoperating revenue.

Expenses – The Authority reports expenses relating to the use of economic resources.

**2. Detailed Notes on Transaction Classes/Accounts**

**A. Cash and investments**

Deposits and investments - State statutes govern the Authority's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost plus accrued interest.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written policy for custodial credit risk. At June 30, 2018, all of the Authority's cash was held in a demand account bearing no interest and was fully covered by federal deposit insurance.

**3. Conduit Debt Obligations**

**A. Chouteau Educational Facilities Authority Educational Facilities Lease Revenue Bonds**

The Authority had the following conduit debt outstanding at June 30, 2018, in the form of Lease Revenue Bonds:

	<u>Original Issue</u>	<u>Outstanding June 30, 2018</u>
Chouteau-Mazie Public Schools Project (2014)	\$6,145,000	\$ 4,645,000

The bonds issued by the Authority are special and limited obligations of the Authority, payable solely out of revenues derived from and in connection with the underlying loan agreement and the underlying security provided under the loan agreement. The Authority or any political subdivision thereof is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements nor are the related investments reported as assets.

**4. Risk Management**

The Authority is exposed to various risks of loss related to torts, errors, and omissions. At this time, the Authority carries no surety bonds or other types of insurance. As the Authority has no capital assets, it carries no property insurance.

**5. Commitments and Contingencies**

The Authority is not involved in any legal proceedings, which normally occur in the course of operations, at this time. While legal proceedings cannot be foreseen, the Authority believes that any settlement or judgment would not have a material effect on the financial condition of the authority.

The Authority is dependent upon repayment of bonds solely from the beneficiary of the bond issue. If the beneficiary defaulted on the bond payments, it would not have a significant impact on the Authority's financial condition. Conduit debt is non-recourse debt.

**6. Subsequent Events**

Management has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through the date on which the financial statements were available to be issued.

## Elfrink and Associates, PLLC

---

Member AICPA, OSCP, and GFOA

3119 E 87<sup>th</sup> Street  
Tulsa, Oklahoma 74137

918-361-2133  
Fax: 918-512-4280

### **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 Members of the Board of Trustees  
Chouteau Educational Facilities Authority  
Chouteau, Oklahoma

We have audited the financial statements – modified cash basis of the Chouteau Educational Facilities Authority (“Authority”), as of June 30, 2018 and for the year then ended and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon, dated October 10, 2018. As discussed in Note 1, the Authority prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over financial reporting.

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

*Elfrink and Associates, PLLC*

Elfrink and Associates, PLLC

Tulsa, Oklahoma  
October 10, 2018