

**INDEPENDENT ACCOUNTANT'S
AUDIT REPORT**

**STEPHENS COUNTY EDUCATIONAL
FACILITIES AUTHORITY
(A Component Unit of Stephens County)**

JUNE 30, 2021

BY



Stephens County Educational Facilities Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Year Ended June 30, 2021

Table of Contents

	<u>Page</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1 - 2
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Position.....	3
Statement of Revenue, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6 - 11
 <u>SUPPLEMENTAL INFORMATION</u>	
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>	12 - 13



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Stephens County Educational Facilities Authority
Duncan, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Stephens County Educational Facilities Authority (a discretely presented component unit of Stephens County, Oklahoma), as of and for the year ended June 30, 2021, 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, 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 opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Stephens County Educational Facilities Authority and do not purport to, and do not present fairly the financial position of Stephens County, Oklahoma as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of Stephens County Educational Facilities Authority as of June 30, 2021, and the respective changes in financial 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

Management has omitted 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 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, 2023, 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 Authority's internal control over financial reporting and compliance.

Furrh & Associates, PC

Furrh & Associates, PC

Lawton, Oklahoma

March 18, 2023

Stephens County Educational Facilities Authority

Duncan, Oklahoma

(A Component Unit of Stephens County)

Statement of Net Position

June 30, 2021

ASSETS

Current Assets

Restricted Cash Accounts	\$ 10,939,258
Lease Purchase Receivable, Current Portion	<u>2,834,230</u>

Total Current Assets \$ 13,773,488

Noncurrent Assets

Lease Purchase Receivable, net of Current Portion	17,047,250
Improvements to Facilities	<u>14,083,102</u>

Total Noncurrent Assets 31,130,352

TOTAL ASSETS \$ 44,903,840

LIABILITIES AND NET POSITION

Current Liabilities

Bonds Payable, Current Portion	\$ 2,425,000
Accrued Interest Payable	<u>163,439</u>

Total Current Liabilities \$ 2,588,439

Long Term Liabilities

Bonds Payable, net of Current Portion	<u>15,550,000</u>
---------------------------------------	-------------------

Total Long Term Liabilities 15,550,000

Deferred Inflows

Deferred Lease Purchase Revenue	<u>23,900,962</u>
---------------------------------	-------------------

Total Deferred Inflows 23,900,962

Net Position

Net Investment in Capital Assets	(3,891,898)
Restricted	<u>6,756,337</u>

Total Net Position 2,864,439

TOTAL LIABILITIES AND NET POSITION \$ 44,903,840

Please see accompanying notes to the financial statements.

Stephens County Educational Facilities Authority

Duncan, Oklahoma

(A Component Unit of Stephens County)

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2021

Operating Revenues		
Rental Income	\$ 6,000	
Total Operating Revenues	<u>6,000</u>	\$ 6,000
Operating Expenses		
Administrative Fees	7,925	
Trustee Fees	9,500	
Total Operating Expenses	<u>17,425</u>	<u>17,425</u>
Net Income (Loss) from Operations		(11,425)
Non Operating Revenue (Expense)		
Acquisition Income	1,484,400	
Interest Income	509	
Bond Costs	(209,900)	
Interest Expense	<u>(342,013)</u>	
Total Non Operating Revenue (Expense)		<u>932,996</u>
Net Income (Loss)		921,571
Net Position, Beginning of Year		<u>1,942,868</u>
Net Position, End of Year		<u><u>\$ 2,864,439</u></u>

Please see accompanying notes to the financial statements.

Stephens County Educational Facilities Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash Flows from Operating Activities

Rental Income	\$	6,000
Operating Expenses		(17,425)
		(11,425)
Net Cash Provided (Used) by Operating Activities	\$	(11,425)

Cash Flows from Capital and Related Financing Activities

Bond Proceeds		11,280,000
Proceeds from Lease Purchase		1,484,400
Purchase of Capital Assts - Construction in Progress		(155,905)
Bond Costs		(209,900)
Interest Expense		(246,131)
Payment on Bonds Payable		(1,230,000)
		10,922,464
Net Cash Provided (Used) by Capital and Related Financing Activities		10,922,464

Cash Flows from Investing Activities

Interest Received from Investments		509
		509
Net Cash Provided (Used) by Investing Activities		509

Net Increase (Decrease) in Cash and Cash Equivalents 10,911,548

Cash and Cash Equivalents - June 30, 2020 27,710

Cash and Cash Equivalents - June 30, 2021 \$ 10,939,258

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

Net Operating Income (Loss)	\$	(11,425)
		(11,425)
Net Cash Provided (Used) by Operating Activities	\$	(11,425)

Please see accompanying notes to the financial statements.

Stephens County Educational Facilities Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to the Financial Statements
June 30, 2021

Note 1 – Significant Accounting Policies

The Stephens County Educational Facilities Authority (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 Statutes 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 Authority 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 entrepreneurship and capital investment.

The Authority 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 alterations, 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 April 16, 2012.

The Authority is exempt from federal and state income taxes.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America. The Authority is considered a governmental entity as defined by the Governmental Accounting Standards Board (GASB) and applies all relevant GASB pronouncements.

The Authority's operations are considered proprietary in nature and therefore the Authority has adopted a reporting framework similar to that of proprietary type funds. 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 rental income from the school districts. Operating expenses include trustee fees and administrative fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. GAAP for proprietary fund types are generally those applicable to similar businesses in the private sector; the measurement focus is on the determination of net income, financial position, and cash flows. All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business, including fixed assets and debt are accounted for in a single proprietary fund rather than a series of funds and account groups.

Stephens County Educational Facilities Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to the Financial Statements
June 30, 2021

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 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.

Restricted assets include investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the bond indentures require that funds be held in a bond fund which is comprised of the reserve account, debt service account, and improvement account. Under the term 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.

Note 2 – Economic Dependence

During the fiscal year ended June 30, 2021, the Authority reported rental revenues of \$6,000 pursuant to the rental agreements with Central High Public Schools and Marlow Public Schools. The amount represents 100% of the authority’s total operating revenues.

Note 3 – Restricted Cash and Investments

The Authority had the following restricted cash and investment accounts, which are temporarily invested in federal obligations; consequently, no collateral pledge is required.

Duncan PS Debt Service Account	\$	2,000
Central PS Debt Service Account		3,063
Central PS Rebate Account		3,644
Marlow PS Rebate Account		3,644
Marlow PS Debt Service Account		16,224
Duncan PS Escrow Account		10,910,683
		\$ 10,939,258

Note 4 – Capital Assets

The School construction costs are accumulated in a fixed asset account labeled “Improvements to Facilities” and will remain a non-depreciable asset until the lease obligation is fulfilled and title is transferred to the schools. The Authority will provide for the acquisition, construction, equipping, renovating, and remodeling of school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving school sites of Central High School District and Marlow School District.

Stephens County Educational Facilities Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to the Financial Statements
June 30, 2021

Changes to capital assets are as follows:

Improvements to Facilities	06/30/2020	Additions / (Disposals)	06/30/2021
Duncan School District	\$ 0	\$ 155,905	\$ 155,905
Central High School District	3,819,442	0	3,819,442
Marlow School District	10,107,755	0	10,107,755
Total	<u>\$ 13,927,197</u>	<u>\$ 155,905</u>	<u>\$ 14,083,102</u>

Note 5 – Accrued Interest

Interest payments on the Central and Marlow school bonds are due semi-annually on March 1st and September 1st each year until maturity. Interest payable is accrued from March 1st to June 30th on those bonds.

Interest payments on Duncan school bonds are due annually on October 1st. Interest payable is accrued from January 1st to June 30th on Duncan bonds.

Note 6 – Rent Agreement

The Authority has a commitment with the school districts to lease the facilities. The Authority receives semi-annual rent payments from each school district in the following amounts: Central High School District - \$1,500 and Marlow School District - \$1,500.

Note 7 – Capital Lease Agreement (Ground Lease)

The Authority entered into an agreement to lease the school facilities. Such agreements are, in substance, purchase (capital leases) and are reported as capital lease obligations.

<u>Year Ended June 30</u>	<u>Central High</u>	<u>Marlow</u>	<u>Duncan</u>	<u>Total</u>
2022	\$ 484,800	\$ 1,078,800	\$ 1,270,630	\$ 2,834,230
2023	499,650	1,103,550	1,259,623	2,862,823
2024	514,500	1,123,350	1,262,263	2,900,113
2025	197,100	2,182,650	1,264,365	3,644,115
2026	0	0	1,260,930	1,260,930
2027 +	0	0	6,379,269	6,379,269
Total	<u>\$ 1,696,050</u>	<u>\$ 5,488,350</u>	<u>\$ 12,697,080</u>	<u>\$ 19,881,480</u>

Stephens County Educational Facilities Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to the Financial Statements
June 30, 2021

Upon fulfilling the lease obligation, the Authority agrees to execute and deliver to the school district a deed or bill of sale, as appropriate, to convey legal title to the school facilities. The following lease end dates apply to each district: Central High – September 1, 2024, Marlow – September 1, 2024, and Duncan – October 1, 2030.

Note 8 – Long Term Debt

On June 6, 2012, the Authority issued its Series 2012 Lease Revenue Bonds in the amount of \$4,145,000, for the purpose of financing school construction projects at Central High School District. The bonds are paid annually in various principal amounts over the period of September 1, 2013 through September 1, 2024. The interest rate on the individual bonds is 2.50 to 4.00 per cent per annum. The bonds were sold at a discount of \$52,088.

Year Ended June 30	Principal	Interest	Total
2022	\$ 430,000	\$ 51,376	\$ 481,376
2023	460,000	34,689	494,689
2024	500,000	16,689	516,689
2025	195,000	3,656	198,656
Total	<u>\$ 1,585,000</u>	<u>\$ 106,410</u>	<u>\$ 1,691,410</u>

On June 26, 2012, the Authority issued its Series 2012 Lease Revenue Bonds in the amount of \$10,495,000, for the purpose of financing school construction projects at Marlow School District. The bonds are paid annually in various principal amounts over the period of September 1, 2013 through September 1, 2024. The interest rate on the individual bonds is 2.00 to 4.00 per cent per annum. The bonds were sold at a premium of \$315,667.

Year Ended June 30	Principal	Interest	Total
2022	\$ 930,000	\$ 144,000	\$ 1,074,000
2023	990,000	110,550	1,100,550
2024	1,040,000	80,100	1,120,100
2025	2,150,000	32,250	2,182,250
Total	<u>\$ 5,110,000</u>	<u>\$ 366,900</u>	<u>\$ 5,476,900</u>

Stephens County Educational Facilities Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to the Financial Statements
June 30, 2021

On December 15, 2020, the Authority issued its Series 2020 Lease Revenue Bonds in the amount of \$11,280,000, for the purpose of financing school construction projects at Duncan School District. The bonds are paid annually in various principal amounts over the period of October 1, 2021 through October 1, 2030. The interest rate on the individual bonds is 2.00 to 4.00 per cent per annum.

Year Ended June 30	Principal	Interest	Total
2022	\$ 1,065,000	\$ 242,520	\$ 1,307,520
2023	1,040,000	219,623	1,259,623
2024	1,065,000	197,263	1,262,263
2025	1,090,000	174,365	1,264,365
2026	1,110,000	150,930	1,260,930
2026+	5,910,000	384,849	6,294,849
Total	<u>\$ 11,280,000</u>	<u>\$ 1,369,550</u>	<u>\$ 12,649,550</u>

Note 9 – Changes in Long Term Debt

Changes in long term debt during the year were as follows:

Bonds Payable	Balance as of 06/30/2020	Increase	Decrease	Balance as of 06/30/2021	Due in One Year
Series 12 - Central	\$ 1,990,000	\$ 0	\$ (405,000)	\$ 1,585,000	\$ 430,000
Series 12 - Marlow	5,935,000	0	(825,000)	5,110,000	930,000
Series 20 - Duncan	0	11,280,000	0	11,280,000	1,065,000
Total	<u>\$ 7,925,000</u>	<u>\$ 11,280,000</u>	<u>\$ (1,230,000)</u>	<u>\$ 17,975,000</u>	<u>\$ 2,425,000</u>

Note 10 – Supplemental Disclosures

Supplemental disclosure of cash flow information:

Cash paid during the year for interest expense was \$342,013.

Note 11 – Risk Protection

The Authority is covered by the following insurance policies, issued to Stephens County, as protection against possible loss contingencies:

Stephens County Educational Facilities Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to the Financial Statements
June 30, 2021

Worker's Compensation and Employer Liability
Property and Casualty
Comprehensive General Liability
Law Enforcement Liability
Public Officials Errors and Omissions
Automobile Liability and Physical Damage
Public Officials Wrongful Acts

Note 12 – Equity Classifications

Equity is classified as Net Position and is 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 assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Note 13 – Subsequent Events

Subsequent events were evaluated through March 18, 2023, which is the date the financial statements were available to be issued.



**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 Commissioners
Stephens County Educational Facilities Authority
Duncan, 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 activities of Stephens County Educational Facilities Authority (a discretely presented component unit of Stephens County, Oklahoma), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report there on dated March 18, 2023.

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 (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 trust Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the trust 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Furrh & Associates, PC

FURRH & ASSOCIATES, PC

Lawton, Oklahoma

March 18, 2023