# FINANCIAL STATEMENTS AND
# INDEPENDENT AUDITOR'S REPORTS
# DEWEY COUNTY
# EDUCATIONAL FACILITIES AUTHORITY
# TALOGA, OKLAHOMA
# JUNE 30, 2020

**DEWEY COUNTY EDUCATIONAL FACILITIES AUTHORITY**
**TALOGA, OKLAHOMA**
**JUNE 30, 2020**

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Performed in Accordance with Government Auditing Standards

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# INDEPENDENT AUDITOR'S REPORT

To the Trustees of
Dewey County Educational Facilities Authority
Taloga, Oklahoma 73667

## *Report on the Financial Statements*

We have audited the accompanying modified cash basis financial statements of the business-type activities of Dewey County Educational Facilities Authority, Taloga, Oklahoma, as of and for the year ended June 30, 2020, 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 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 the 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 of 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 Authority'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 Authority'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.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of the Dewey County Educational Facilities Authority, Taloga, Oklahoma, as of June 30, 2020, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting 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 June 10, 2021, 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.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
June 10, 2021

# BASIC FINANCIAL STATEMENTS

Schedule 1-00

**DEWEY COUNTY EDUCATIONAL**
**FACILITIES AUTHORITY**
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**
**FOR THE YEAR ENDED JUNE 30, 2020**

| | |
|---|---|
| **ASSETS** | |
| Current Assets: | |
| Cash and Cash Equivalents | $ 31,740.00 |
| Investments | 0.00 |
| Total Current Assets | 31,740.00 |
| Noncurrent Assets: | |
| Restricted Cash and Cash Equivalents | 48,358.31 |
| Capital Assets | 0.00 |
| Total Noncurrent Assets | 48,358.31 |
| Total Assets | 80,098.31 |
| **LIABILITIES** | |
| Current Liabilities: | |
| Due to Other Funds | 0.00 |
| Bonds, Notes, and Loans Payable | 0.00 |
| Total Current Liabilities | 0.00 |
| Noncurrent Liabilities: | |
| Due to Other Funds | 0.00 |
| Bonds, Notes, and Loans Payable | 0.00 |
| Total Noncurrent Liabilities | 0.00 |
| Total Liabilities | 0.00 |
| **NET POSITION** | |
| Net Investment in Capital Assets | 0.00 |
| Restricted | 48,358.31 |
| Unrestricted | 31,740.00 |
| Total Net Position | $ 80,098.31 |

Schedule 2-00

**DEWEY COUNTY EDUCATIONAL**
**FACILITIES AUTHORITY**
**STATEMENT OF REVENUES AND EXPENSES**
**AND CHANGES IN NET POSITION - MODIFIED CASH BASIS**
**FOR THE YEAR ENDED JUNE 30, 2020**

| | |
|---|---|
| **Operating revenues:** | |
| Lease revenue | $ 12,800.00 |
| Other | 0.00 |
| Total operating revenues | 12,800.00 |
| **Operating expenses:** | |
| Professional Services | 10,742.00 |
| Construction Costs | 0.00 |
| Bond Principal | 1,240,000.00 |
| Bond Interest | 805,937.50 |
| Trustee Fees | 3,999.96 |
| Total operating expenses | 2,060,679.46 |
| Net Operating Income (Loss) from Operations | (2,047,879.46) |
| **Nonoperating Revenue (Expense):** | |
| Interest & Dividend income | 12,956.39 |
| Total nonoperating revenue (expense) | 12,956.39 |
| Change in Net Position | (2,034,923.07) |
| Net Assets Beginning of Year | 2,115,021.38 |
| Net Assets End of Year | $ 80,098.31 |

Schedule 3-00

**DEWEY COUNTY EDUCATIONAL**
**FACILITIES AUTHORITY**
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**
**FOR THE YEAR ENDED JUNE 30, 2020**

| | | |
|---|---|---|
| **Cash Flows From Operating Activities:** | | |
| Cash Received From Lease Revenue | $ | 12,800.00 |
| Cash Payments for Trustee Fees | | (3,999.96) |
| Cash Payments for Professional Fees | | (10,742.00) |
| Cash Payments for Construction Costs | | (1,240,000.00) |
| Cash Payments for Interest Costs | | (805,937.50) |
| Net Cash Provided (Used) by Operating Activities | | (2,047,879.46) |
| **Cash Flows From Non-Capital and Related Financing Activities:** | | |
| Tranfers to Other Funds | | 0.00 |
| Net Cash Provided (Used) by Non-Capital Financiing Activities | | 0.00 |
| **Cash Flows From Investing Activities:** | | |
| Cash Invested | | 0.00 |
| Investment Income Received | | 12,956.39 |
| Net Cash Provided (Used) by Investing Activities | | 12,956.39 |
| Net Increase in Cash and Cash Equivalents | | (2,034,923.07) |
| Beginning Cash and Cash Equivalents | | 2,115,021.38 |
| Ending Cash and Cash Equivalents | $ | 80,098.31 |

| | | |
|---|---|---|
| **Reconciliation of Operating Income to Net Income Provided from Operationing Activities:** | | |
| Operating Income | $ | (2,047,879.46) |
| Adjustments to Reconcile Operating Income to Net Cash: | | |
| Change in Other Liabilities | | 0.00 |
| Net Cash Provided (Used) by Operating Activities | $ | (2,047,879.46) |

# NOTES TO THE FINANCIAL STATEMENTS

**DEWEY COUNTY EDUCATIONAL FACILITIES AUTHORITY**
**NOTES TO BASIC FINANCIAL STATEMENTS**
**JUNE 30, 2020**

## Note 1 – Summary of Significant Accounting Policies

As discussed further in Note 1-C., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

### A. Financial Reporting Entity

Dewey County Educational Facilities Authority, a public trust, created September 26, 2016, for the benefit of Dewey County, Oklahoma, and an agency of the State of Oklahoma. The Authority was created under provisions of Title 60, Oklahoma Statutes 2011, Sections 176 to 180.4 by a Declaration of Trust 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 County. The Authority accomplishes its mission through various educational development trusts. 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. Budgetary comparison schedule is not presented.

Dewey County Educational Facilities Authority generally does not acquire any assets or incur any liability when it issues bonds for eligible entities. Pursuant to the respective trust indentures governing each project, the notes or bonds payable of each project do not constitute a debt, liability, or moral obligation of the Authority, the State of Oklahoma, any political subdivision thereof, or personal obligations of the trustee's of the Authority. It may earn and collect administrative fees however and must be informed of the unpaid balances. If however Dewey County Educational Facilities Authority manages the assets and liabilities and does not assign them, the assets and liabilities would be recognized. In the long term debt information section additional information discloses the outstanding obligation, which the authority has facilitated.

### Related Organizations

**Dewey County** - Dewey County Educational Facilities Authority is a public trust. Dewey County is the beneficiary of the trust. The elected Dewey County commissioners are the Authority's trustees. The Authority's financials are material to Dewey County. Therefore the Authority is considered to be a component unit of Dewey County.

## A. Financial Reporting Entity - Continued

The accompanying financial statements include all functions and activities over which the Authority exercises financial accountability. Dewey County Educational Facilities Authority is a component unit of the governmental entity of Dewey County, Oklahoma. Dewey County's financial information is not presented in these financial statements. Dewey County financial audits are readily obtainable at, www.sai.ok.gov, the State Auditor'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 recorded when paid. If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting. In other words, revenue would be recognized when earned and expenses would be recorded when the liability is incurred or economic asset used.

## D. Assets, Liabilities and Net Position

Cash & Cash Equivalents
For the purposes 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 resources are reported as liabilities in the balance sheet. The Authority had no notes payable as of the balance sheet date.

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

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 improvements 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 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 both restricted and unrestricted net position are available.

## E. Revenues and Expenses

Operating and Non-operating Revenues - Operating revenues are considered those whose cash flows are related to operating activities, while revenues related to financing, capital and investing activities are reported as non-operating.

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

## F. Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

## G. Income Taxes

As a political subdivision of the State of Oklahoma, the Dewey County Educational Facilities Authority is exempt from federal and state income taxes.

**DEWEY COUNTY EDUCATIONAL FACILITIES AUTHORITY**
**NOTES TO BASIC FINANCIAL STATEMENTS**
**JUNE 30, 2020**

## Note 2 – Detailed Notes on Transaction Classes/Accounts

### A. Cash and Investments

Deposits and Investments - The Authority does not have a written investment policy that limits its investment choices. Investments are in compliance with Oklahoma statutes.

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 risk. However, the Authority's balances did not exceed the $250,000 FDIC insurance level during the fiscal year.

### B. Restricted Assets

The Authority does not have any restricted assets

### C. Capital Assets

The Authority does not have any capital assets to present

### D. Long-Term Debt

DCEFA- Conduit Debt – The Dewey County Educational Facilities Authority has the following conduit debt outstanding at June 30, 2020, in the form of Lease Revenue Bonds:

| | Original Issue | Outstanding June 30, 2020 |
|---|---|---|
| DCEFA - Seiling Public Schools (2016) | $ 18,840,000.00 | $ 16,330,000.00 |
| Total | $ 18,840,000.00 | $ 16,330,000.00 |

This debt is considered non-commitment debt to the Authority since debt payments are made solely by listed entities. Payments are made directly by the entities to the trustee banks. In the event of default by the schools, the Authority has no obligation, in substance, to make any payments on the debt since the note receivable, financing agreements and mortgages on the property with the school are the only security for the debt. As a result of the non-commitment determination, the Authority's indebtedness and related receivables from the schools are not recorded in the financial statements. Total conduit debt on June 30, 2020 was $16,330,000.00.

## Note 3 - 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.

## Note 4 - Commitments and Contingencies

The Authority is not involved with any legal proceedings, which normally occur in the course of governmental operations at this time. While legal proceedings cannot be foreseen, the Authority feels 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 debt solely from the beneficiary of the debt issues. If the beneficiary defaulted on the payments it would not have a significant impact on the Authority's financial condition. Conduit debt is non-recourse debt.

## Note 5 – Subsequent Events

Management has evaluated subsequent events through June 10, 2021, 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.

# REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE

# OF

# DEWEY COUNTY EDUCATIONAL FACILITIES AUTHORITY
# DEWEY COUNTY, OKLAHOMA

**BRITTON, KUYKENDALL, & MILLER**
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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*

To the Trustees
Dewey County Educational Facilities Authority
Taloga, Oklahoma 73667

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 accompanying modified cash basis financial statements of the business-type activities of the Dewey County Educational Facilities Authority, Taloga, Oklahoma as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, June 10, 2021. As stated in our report, the financial statements were prepared in compliance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Dewey County 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 Authority'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 Dewey County Educational Facilities Authority's financial statements are free from 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* in the United States of America.

***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 the *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
June 10, 2021