GRANT COUNTY EDUCATIONAL FACILITIES AUTHORITY

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

GRANT COUNTY EDUCATIONAL FACILITIES AUTHORITY
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YEAR ENDED JUNE 30, 2016

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Independent Auditor's Report

To the Trustees of
Grant County Educational Facilities Authority

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of Grant County Educational Facilities Authority, as of and for the year ended June 30, 2016, 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 as 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 an 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 modified cash basis financial position of the Grant County Educational Facilities Authority as of June 30, 2016, and the changes in its modified cash basis financial position and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that 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 this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2016 on our consideration of the Kay County Public Building Authority's internal control over financial reporting and on our tests of its compliance with certain 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Kimberlye R Mayer, CPA PC

Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
December 13, 2016

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 of
Grant County Educational Facilities Authority

We have audited the financial statements of Grant County Educational Facilities Authority as of and for the year ended June 30, 2016 and have issued our report thereon dated December 13, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements were 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grant 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Grant County Educational Facilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grant County Educational Facilities 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 combination of control deficiencies, in internal control that there is 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 preceding paragraph 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 Grant County 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 grants, 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 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.

Kimberlye R Mayer CPA, PC

Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
December 13, 2016

BASIC FINANCIAL STATEMENTS

AND

NOTES

GRANT COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2016

Assets

Current Assets:	
Cash and cash equivalents	$
Total Assets	$

Liabilities and Net Position

Liabilities:	
Current liabilities:	
	$
Total Liabilities	
Net Position:	
Net investment in capital assets	
Unrestricted	
Total Net Position	
Total Liabilities and Net Position	$

The accompanying report and notes are an integral part of these financial statements.

GRANT COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2016

Operating Revenues:	
Administrative fees	$ 2,636
Audit service fees	6,590
Total Operating Revenues	9,226
Operating Expenses:	
Revenues over (under) expenses before transfers	9,226
Transfers from County	
Transfers to County	(9,226)
Changes in Net Position	
Net Position, beginning of year	
Net Position, end of year	$

The accompanying report and notes are an integral part of these financial statements.

GRANT COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2016

Cash Flows From Operating Activities:	
Cash received for administration fees	$ 2,636
Cash received for audit fees	6,590
Cash transferred to County	(9,226)
Net cash provided (used) by Operating Activities	
Cash Flows From Non-Capital Financing Activities:	
Cash Flows From Capital And Related Financing Activities:	
Cash Flows From Investing Activities:	
Net increase (decrease) in cash and cash equivalents	
Beginning cash and cash equivalents	
Ending cash and cash equivalents	$

Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:	
Change in net position	
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Change in assets and liabilities:	
Net cash provided (used) by operating activities	$

The accompanying report and notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Reporting Entity

The Grant County Educational Facilities Authority, created on August 27, 2015 was originated under provisions of Title 60 of the Oklahoma Statutes, 1961, as amended, the Oklahoma Trust Act, and the laws of the State of Oklahoma. The Authority was created for the use and benefit of Grant County, Oklahoma. The Authority is empowered to borrow money and to pledge assets, properties and revenues as security against its borrowings. The Authority has no taxing power.

The Authority generally does not acquire any assets or incur any liability when it facilitates financing obligations for eligible entities. The Authority may earn and collect administrative fees and must be informed of the unpaid balances. The long-term debt note (Note 3) discloses the outstanding obligations which the Authority has facilitated.

Related Organizations

The Authority is a public trust and Grant County is the beneficiary. The elected Grant County Commissioners are also the Authority's trustees. Therefore, the Authority is considered to be a component unit of Grant County.

The accompanying financial statements include all functions and activities over which the Authority exercises financial accountability. The Authority is a component unit of the governmental entity of Grant County, Oklahoma. Grant County's financial information is not presented in these financial statements.

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 focused on net income measurement similar to the private sector.

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 modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues and expenditures/expenses when they result from cash transactions with a provision for depreciation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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.

NOTE 2 – DEPOSITS, INVESTMENTS AND COLLATERAL:

A. Oklahoma State Law, Title 62, Section 348.1 allows for investment of funds in the following:

1. Direct obligations of the United States Government to the payment of which the full faith and credit of the Government of the United States or of this state is pledged.

2. Certificates of deposit of savings and loan associations, banks, trust companies when the certificates of deposit are secured by acceptable collateral as in the deposit of other public monies.

3. Savings accounts or savings certificates of savings and loan associations, banks and trust companies, to the extent that the accounts or certificates are fully insured by the Federal Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation.

4. Public Trusts (Authorities) and Pension Trust Funds may invest in the above noted securities in addition to marketable equity securities.

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 year.

NOTE 3 – LONG-TERM DEBT:

Conduit Debt

The Grant County Educational Facilities Authority has the following conduit debt outstanding at June 30, 2016:

	Original Issue	Outstanding 6/30/16
Lease Revenue Bonds:		
Pond Creek - Hunter Independent School District No.90 (2015)	$ 6,590,000	$ 6,590,000

Conduit debt is debt that is considered non-recourse debt to the Authority since debt payments are made solely by Pond Creek - Hunter Independent School. Payments are made directly by this schoos to the trustee bank. In the event of default by the school, the Authority has no obligation in substance to make any payments on the debt since the lease receivable and the financing agreements on the property with the school is the only security for the debt. As a result of the non-recourse determination, the Authority's indebtedness and related receivables from the schools are not recorded in the financial statements.

NOTE 4 – 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.

NOTE 5 – ESTIMATES:

The preparation of financial statements in conformity with the modified cash basis of accounting 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. Accordingly, actual results could differ from those estimates.

NOTE 6 – RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets, errors and omissions. The Authority manages this risk through the County's commercial insurance policies. Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There were no claims during the year ended June 30, 2016.

NOTE 7 – CONCENTRATIONS 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.

NOTE 8 – EVALUATION OF SUBSEQUENT EVENTS:

The Authority has evaluated subsequent events through December 13, 2016, the date which the financial statements were available to be issued.