

**ADAIR COUNTY EDUCATIONAL
FACILITIES AUTHORITY**

ANNUAL FINANCIAL STATEMENTS AND
AUDITOR'S REPORTS

FOR THE YEAR ENDED JUNE 30, 2016

ADAIR COUNTY EDUCATIONAL FACILITIES AUTHORITY
ANNUAL FINANCIAL STATEMENTS & AUDITOR'S REPORT
June 30, 2016

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MICHAEL W. GREEN

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Adair County Educational Facilities Authority
Westville, Oklahoma

I have audited the accompanying financial statements of the Adair County Educational Facilities Authority as of and for the year then ended June 30, 2016, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities, each major fund, and the aggregate remaining fund information of the Adair County Educational Facilities Authority as of June 30, 2016, and the changes in financial position and 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

The Authority has omitted the Management Discussion and Analysis report 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. My 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, I have also issued my report dated May 1, 2018, on my consideration of Adair County Educational Facilities Authority's internal control over financial reporting and on my 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 my 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* in considering Adair County Educational Facilities Authority's internal control over financial reporting and compliance.



Michael Green
Certified Public Accountant

May 1, 2018

Adair County Educational Facilities Authority
Statement of Net Position
For the Year Ended June 30, 2016

ASSETS

Current Assets

Debt Service Fund 01-1	\$	43,407
Improvement Fund 03-7		17,517
Rebate Fund 02-9		3,500
Total Checking/Savings		64,424
Accounts Receivable		
Rent Receivable		1,005
Total Accounts Receivable		1,005
Total Current Assets		65,429

Other Assets

Construction in Progress		1,182,503
Lease Purchase Receivable		99,174
Total Fixed Assets		1,281,676
TOTAL ASSETS		1,347,106

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Other Current Liabilities

Accrued Interest Payable		12,422
Total Other Current Liabilities		12,422
Total Current Liabilities		12,422

Long Term Liabilities

Bonds Payable		1,330,419
Total Long Term Liabilities		1,330,419

Total Liabilities 1,342,841

Net Position

Net Position - Restricted		64,424
Net Position - Unrestricted		(60,160)
Total Net Position		4,264

TOTAL LIABILITIES AND NET POSITION **\$ 1,347,105**

Adair County Educational Facilities Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

Income	
Bank and Trustee Fee Income	\$ 3,000
Interest Income	1,259
Rental Income	2,505
Total Income	<u>6,764</u>
Expense	
Bank Service Fee	2,500
Total Expense	<u>2,500</u>
Net Operating Income	<u>4,264</u>
Beginning Net Position	<u>-</u>
Ending Net Position	<u><u>\$ 4,264</u></u>

Adair County Educational Facilities Authority
Statement of Cash Flows
For the Year Ended June 30, 2016

OPERATING ACTIVITIES	
Net Income	\$ 4,264
Adjustments to reconcile Net Income to net cash provided by operations:	
Lease Purchase Receivable	(99,174)
Rent Receivable	(1,005)
Accrued Interest Payable	12,422
Net cash provided by Operating Activities	<u>(83,492)</u>
INVESTING ACTIVITIES	
Construction in Process	<u>(1,182,503)</u>
Net cash provided by Investing Activities	(1,182,503)
FINANCING ACTIVITIES	
Bonds Payable	1,320,000
Bond Premium	10,419
Net Position - Restricted	64,424
Net Position - Unrestricted	<u>(64,424)</u>
Net cash provided by Financing Activities	<u>1,330,419</u>
Net cash increase for period	64,424
Cash at beginning of period	0
Cash at end of period	<u><u>\$ 64,424</u></u>

Adair County Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2016

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

I. Summary of Significant Accounting Policies

Adair County Educational Facilities Authority, Westville, 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 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. 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 June 17, 2015. The Authority is exempt from federal and state income taxes.

On July 1, 2015, the Board of Trustees of the Authority approved the Adair County Educational Facilities Authority Educational Facilities Lease Revenue Bonds (Westville Public Schools Project), Series 2015 between the Authority and BancFirst (the Trustee) providing for the issuance of Revenue Bonds in the aggregate principal amount of \$1,331,576.90 (representing the par amount of the Series 2015 Bonds of \$1,320,000.00 plus net original issue premium of \$11,576.90). The amount received was \$1,318,376.90 due to \$13,200.00 being kept as an underwriting fee.

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.

Adair County Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2016

Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation - Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. 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.

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 Westville Public School District. Operating expenses for enterprise funds include trustee fees and amortization expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, Net Position and Revenues

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority 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.

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 statement of net position. 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 indentures require that funds be held in a bond fund which is comprised of the rebate 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.

**Adair County Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2016**

Assets, Liabilities, Net Position and Revenues (continued)

4. Rent Receivable

The Authority receives semi-annual rent payments from Westville Public Schools in the amount of \$1,500. Rent receivable is accrued from March 1 to September 1.

5. Capital Assets

Contributions to capital assets include capitalized accrued interest payable. Interest on the 2015 bond will be capitalized until the construction project is complete. "Capital Lease Asset" will remain a non-depreciable asset until the lease obligation is fulfilled and title is transferred to the school.

6. Accrued Interest

Interest payments for the 2015 Series Bonds are due semi-annually on March 1 and September 1 each year until maturity. Interest payable is accrued from March 1 through September 1 on all bonds.

7. Long-Term Obligations

Long-term debt is reported as a liability in the Authority's statement of net position. Bond premiums and issuance costs were recognized in the current period, in accordance with GASB 65, not amortized over the life of the debt.

8. Lease Purchase Receivable

As of June 30, 2016, the Lease Agreement with Westville Public Schools for their 2015 Project was not fulfilled. The Capital Lease Asset has not been transferred to the school as of June 30, 2016.

The Authority entered into a lease agreement with Westville Public Schools. The 2015 Bond Series proceeds were used to complete the construction of the elementary school facilities. These improvements have been sold to Westville Public Schools through a lease agreement. Construction is not complete at June 30, 2016.

9. Net Position

Proprietary fund financial statements report net position. Amounts invested in capital asset, net of related debt and legally restricted amounts are separated from unrestricted net position.

- a. Invested 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 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.

**Adair County Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2016**

Assets, Liabilities, Net Position and Revenues (continued)

10. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates 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. Stewardship, Compliance and Accountability

A. Budgetary Information

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Adair County Educational Facilities Authority. The use of budgets and monitoring of equity status facilitate the Authority's compliance with legal requirements. The Authority did not prepare a budget for the 2016 fiscal year.

III. Detailed Notes Concerning the Funds

A. Cash

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's cash deposits, including interest-bearing money market accounts, are maintained in financial institutions. As of June 30, 2016, 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.

B. Long-Term Debt

The Authority issued bonds in the amount of \$1,320,000.00 on July 1, 2015, in conjunction with an agreement with the Westville Public School District. Interest on the bonds is payable March 1st and September 1st at varying rates. The Authority has a total of (5) principal payments, beginning September 1, 2017. The bonds were issued at a premium of 11,576.90. This amount is amortized over the life of the bonds. These amounts are shown net on the face of the Statement of Net Position (Note D).

**Adair County Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2016**

Assets, Liabilities, Net Position and Revenues (continued)

B. Long-Term Debt (continued)

Remaining debt service requirements for the Westville Public Schools 2015 Series Bonds are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2016	\$	\$ 21,836.74	\$ 21,836.74
2017		37,081.26	37,081.26
2018	240,000.00	34,681.26	274,681.26
2019		32,281.26	32,281.26
2020	245,000.00	29,678.13	274,678.13
2021-2026	835,000.00	105,112.50	940,112.50
Total	\$ 1,320,000.00	\$ 260,671.15	\$ 1,580,671.15

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, 2015	Advancements	Payments	Balance June 30, 2016	Due within One Year
Bond Payable Series 2015- Westville Schools		\$ 1,330,419.21		\$ 1,330,419.21	

D. Premium on Bonds Issued

Also included in the Bonds Payable is the Premium on Bonds issued, in the amount of \$11,576.90. This premium will be amortized over 10 years by decreasing interest expense as follows:

Year Ended June 30,	Interest Expense	Balance
2016	\$ 1,157.69	\$ 10,419.21
2017	1,157.69	9,261.52
2018	1,157.69	8,103.83
2019	1,157.69	6,946.14
2020	1,157.69	5,788.45
2021-2026	5,788.45	0.00
Total	\$ 11,576.90	11,576.90

**Adair County Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2016**

E. Lease Purchase Agreement (Sub Lease)

The Authority has an agreement with the Westville Public Schools to lease the elementary school facilities. Future minimum rental commitments for operating leases as of June 30, 2016 are as follows:

Year Ended June 30,	Westville Public Schools
2016	\$ 1,500.00
2017	3,000.00
2018	3,000.00
2019	3,000.00
2020	3,000.00
2021-2026	16,500.00
Total	\$ 30,000.00

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

F. Capital Lease Agreement (Ground Lease)

The Authority has entered into an agreement to lease the elementary school facilities. Such agreement is, in substance, a purchase (capital lease) and is reported as a capital lease receivable.

Assets, Liabilities, Net Position and Revenues (continued)

The following schedule is a schedule of the lease purchase acquisition payments for improvements to be received from Westville Public Schools, as of June 30, 2016:

DATE	PURCHASE PRICE	NATURE OF IMPROVEMENTS
9/1/17	\$305,750.00	Improvements acquired and installed at an addition at the Elementary School as follows: metals, wood, and plastics
9/1/19	\$305,750.00	Improvements acquired and installed at an addition at the Elementary School as follows: mechanical equipment
9/1/21	\$305,750.00	Improvements acquired and installed at an addition at the Elementary School as follows: finishes and electrical components
9/1/23	\$305,750.00	Improvements acquired and installed at an addition at the Elementary School as follows: roofing and masonry
9/1/25	\$305,750.00	Improvements acquired and installed at an addition at the Elementary School as follows: plumbing, doors, and windows; Any other property improved, acquired or installed

Adair County Educational Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2016

The Authority leases the improvements to facilities to the Westville Public Schools at an interest rate of 0.00%. The terms of this lease commenced on March 1, 2016, and extends to September 1, 2025 under the terms of the indenture and so long thereafter as long as any Bond shall remain outstanding and unpaid.

IV. Other Information

A. Economic Dependence

During the fiscal year ended June 30, 2016, the Authority reported lease revenues of \$2,505, pursuant to its lease agreement with the Westville Public Schools, Westville, Oklahoma. \$1,500 of the amount has been paid and \$1,005 has been accrued. This amount represents 100% of the Authority's total operating revenues.

B. Subsequent Events

Management has evaluated subsequent events through the date of the auditors report, 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.

MICHAEL W. GREEN
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827 W. LOCUST STREET
Stilwell, Ok. 74960
(918) 696-6298

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*

Board of Trustees
Adair County Educational Facilities Authority
Westville, Oklahoma

I have audited the financial statements of the Adair County Educational Facilities Authority, as of and for the year then ended June 30, 2016, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated May 1, 2018. I conducted the audit in accordance with 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

In planning and performing my audit of the financial statements, I considered Adair County Educational Facilities Authority's (the Organization) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Adair County Educational Facilities Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Michael Green, CPA
Certified Public Accountant

May 1, 2018