

**DELAWARE EDUCATIONAL FACILITIES AUTHORITY  
DELAWARE COUNTY, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS  
AND ACCOMPANYING  
INDEPENDENT AUDITOR'S REPORTS**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

**LANGLEY-LITTLEFIELD-OBER  
CERTIFIED PUBLIC ACCOUNTANTS, PLLC  
124 SOUTH MAIN STREET  
MIAMI, OKLAHOMA 74354**

**Delaware County Educational Facilities Authority  
Board of Trustees  
June 30, 2013**

Doug Smith  
Tom Sanders  
Danny Duncan  
Barbara Barnes

Chairman  
Trustee  
Trustee  
Secretary/Treasurer

**Delaware County Educational Facilities Authority**  
**Table of Contents**

Independent Auditor's Report	1
Management's Discussion and Analysis	2-5
Basic Financial Statements:	
Statement of Net Assets	6
Statement of Revenues, Expenses and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-14
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	15-16

# LANGLEY-LITTLEFIELD-OBER

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

124 S MAIN, MIAMI, OK 74354

(918) 542-4401 OFFICE -- (918) 542-8165 FAX

## AUDITOR'S REPORT

To the Board of Commissioners  
Delaware County Educational Facilities Authority  
Delaware County, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the Delaware County Educational Facilities Authority a discretely presented component unit of Delaware County, Oklahoma as of and for the year ended June 30, 2013, 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.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the business-type activities of the Authority of Delaware County, Oklahoma, as of June 30, 2013, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-5 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods

of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Emphasis of Matter***

As discussed in Note A, the financial statements present only the Delaware County Educational Facilities Authority and do not purport to, and do not present fairly the financial position of the Delaware County, Oklahoma as of June 30, 2013, 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2015, on our consideration of 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.

May 4, 2015

A handwritten signature in cursive script, reading "Langley Littlefield Ober".

**LANGLEY - LITTLEFIELD - OBER, CERTIFIED PUBLIC ACCOUNTANTS, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
MIAMI, OKLAHOMA

**Delaware County Educational Facilities Authority  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2013**

Our discussion and analysis of Delaware County Educational Facilities Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the Authority's financial statements which begin on page 6.

On May 26, 2009, the Authority was created for the purpose of issuing bonds and entering into a lease agreement with Kansas Public Schools to finance improvements to the elementary and middle school buildings. Bonds were issued on July 1, 2009 in the amount of \$1,825,000, to mature on September 1, 2015 (74 months) with a stated interest rate of 3.25-3.55%. The lease agreement commenced on July 1, 2009 and requires Kansas Publics School District to make annual lease payments starting on September 1, 2011 and ending on September 1, 2015. The interest rate on the lease agreement is 0.409%.

### **FINANCIAL HIGHLIGHTS**

- The Authority's Net Position decreased by \$36,575 as a result of this year's operations.
- Total revenues were \$8,702.
- Additions to capital assets during the year included construction in progress of \$171,618 comprised of \$161,966 of construction costs and \$9,762 of interest capitalized on the outstanding bonds paid prior to the completion of the improvements. The final construction payment was made on 10/31/2012.

### **USING THIS ANNUAL REPORT**

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Other Required Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the basic financial statements.

### **REQUIRED FINANCIAL STATEMENTS**

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine profitability, credit worthiness and whether the Authority has

successfully recovered all its costs through lease income and other charges. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period.

The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?"

## **FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority and changes in them. You can think of the Authority's net position—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

The Authority's total Net Position decreased \$36,575 from last year. Our analysis below focuses on the Authority's net position (Table 1) and changes in net position (Table 2) during the year.

**Table 1**

	June 30, 2013	June 30, 2012
Current Assets	\$ 321,582	\$ 310,286
Noncurrent Assets- Restricted	2,853,628	3,149,236
Total Assets	<u>3,175,210</u>	<u>3,459,521</u>
Current Liabilities	286,607	264,344
Long-Term Liabilities	1,165,000	1,435,000
Total Liabilities	<u>1,451,607</u>	<u>1,699,344</u>
Deferred Inflows	<u>1,825,000</u>	<u>1,825,000</u>
Net Investment in Capital Assets	203,205	-
Net Assets, Restricted	189,222	346,180
Net Assets, Unrestricted	(493,825)	(411,002)
Total Net Position	<u>\$ (101,398)</u>	<u>\$ (64,823)</u>

The decrease in net position is mostly due to a decrease in cash to make bond payments.

The Authority leases capital assets (e.g. improvements to school buildings) to the Kansas Public School District which uses them to provide services to students. Consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Position for the year.

**Table 2**

	June 30, 2013	June 30, 2012
Rental Income	\$ 3,000	\$ 3,000
Nonoperating Interest Income	5,702	6,880
Gain on Sale of Asset	-	-
Trustee and Other Fees	(3,758)	(4,940)
Interest Expense	(41,519)	-
Increase (Decrease) in Net Assets	(36,575)	4,940
Net Position, Beginning of Year	(64,823)	(69,763)
Net Position, End of Year	<u>\$ (101,398)</u>	<u>\$ (64,823)</u>

The Authority's primary sources of revenue are rental and investment income.

Major expenses are interest expense and trustee fees.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of June 30, 2013, the Authority had \$1,638,205 invested in capital assets. The Improvements to Facilities will remain a non-depreciable asset of the Authority's until the lease obligation is fulfilled.

### **Debt**

As of June 30, 2013, the Authority had \$1,435,000 in bonds outstanding. The 2009 Series Bonds are the Authority's only debt. The Authority's total obligations have decreased by the amount of the principle payment made during the year. The Authority will continue to make annual principle payments on this debt as outlined by the Trust Indenture.

Additional information on the Authority's long-term debt can be found in Note III on page 12 and 13 of this report.



**ECONOMIC FACTORS**

In considering the Authority's financial condition, the Board estimates that revenues and expenses in the coming year will approximate actual revenues and expenses for the past fiscal year.

The Authority will pay the bonds off in September 2015.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Delaware County Clerk at P.O. box 309 Jay, Oklahoma 74346.

**Delaware County Educational Facilities Authority**  
**Statement of Net Position**  
**June 30, 2013**

**ASSETS**

## Current Assets

Deposits with Third Party	\$ 5,745.75
Rent Receivable	1,000.00
Lease Purchase Receivable, Current Portion	310,267.79
Accrued Interest Receivable	4,568.51
Total Current Assets	<u>321,582.05</u>

## Noncurrent Assets

Lease Purchase Receivable, net of Current Portion	1,026,199.98
Restricted US Treasuries	189,222.41
Improvements to Facilities	1,638,205.32
Total Noncurrent Assets	<u>2,853,627.71</u>

## Total Assets

3,175,209.76

**LIABILITIES**

## Current Liabilities

Accrued Interest Payable	16,607.50
Bonds Payable, Current Portion	270,000.00
Total Current Liabilities	<u>286,607.50</u>

## Long Term Liabilities

Bonds Payable, net of Current Portion	1,165,000.00
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## Total Liabilities

1,451,607.50

**DEFERRED INFLOWS**

Deferred Lease Purchase Revenue	<u>1,825,000.00</u>
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**NET POSITION**

Net Investment in Capital Assets	203,205.32
Restricted	189,222.41
Unrestricted	(493,825.47)
Total Net Position	<u>\$ (101,397.74)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Delaware County Educational Facilities Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2013**

Operating Revenues	
Rental Income	\$ 3,000.00
Operating Expenses	
Trustee Fees	<u>(3,758.00)</u>
Net Income (Loss) From Operations	<u>(758.00)</u>
Non Operating Revenue (Expense)	
Interest Income	5,701.57
Interest Expense	<u>(41,518.75)</u>
Total Non Operating Revenue (Expense)	<u>(35,817.18)</u>
Net Income (Loss)	(36,575.18)
Net Position, Beginning of Year	<u>(64,822.56)</u>
Net Position, End of Year	<u><u>\$ (101,397.74)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement

**Delaware County Educational Facilities Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2013**

**Cash Flows from Operating Activities**

Cash Inflows:

Payments Received from Customers	\$ 3,000.00
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Cash Outflows:

Payments for Goods and Services	(3,758.00)
---------------------------------	------------

Net Cash Provided (Used) by Operating Activities	(758.00)
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**Cash Flows from Capital and Related Financing Activities**

Proceeds from Issuance of Bonds	(245,000.00)
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Proceeds from Lease Purchase	299,041.11
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Interest Expense	(44,254.58)
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Purchase of Capital Assets - Construction in Progress	(171,617.57)
-------------------------------------------------------	--------------

Net Cash Provided (Used) for Capital and Related Financing Activities	(161,831.04)
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**Cash Flows from Investing Activities**

Interest Received from Investments	6,723.80
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<b>Net Cash Inflow (Outflow) from All Activities</b>	(155,865.24)
------------------------------------------------------	--------------

Cash and Cash Equivalents at Beginning of Year	350,833.40
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<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 194,968.16</b>
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**Cash and Cash Equivalents**

Restricted Cash and Cash Equivalents	\$ 189,222.41
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Unrestricted Cash and Cash Equivalents	5,745.75
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Cash and Cash Equivalents at End of Year	\$ 194,968.16
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**Reconciliation of Operating Income (Loss) to Net Cash**

**Provided by Operating Activities**

Net Operating Income (Loss)	\$ (758.00)
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Net Cash Provided by Operating Activities	\$ (758.00)
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**Delaware County Educational Facilities Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

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

**I. Summary of Significant Accounting Policies**

Delaware County Educational Facilities Authority, Jay, 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 Trust 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 Trust 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 alternations, 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 May 26, 2009. The Authority is exempt from federal and state income taxes.

On June 8, 2009, the Board of Trustees of the Authority approved the Delaware County Educational Facilities Authority Educational Facilities Lease Revenue Bonds (Kansas Public Schools Project), Series 2009 between the Authority and BancFirst (the Trustee) providing for the issuance of Revenue Bonds in the aggregate principal amount of \$1,825,000 plus accrued interest for one month of \$5,228.54 less the bond issuance costs of \$61,343.75 and bond discounts of \$32,527.65.

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.

**Delaware County Educational Facilities Authority  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

**I. 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 total 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 District complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements.

In addition, the District 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 District 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 Kansas 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.

**C. Assets, Liabilities, Net Position and Revenues**

**1. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Trust 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 indenture require that funds be held in a bond fund which is comprised of the reserve 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.

**Delaware County Educational Facilities Authority  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities, Net Position and Revenues**

**4. Rent Receivable**

The Authority receives semi-annual rent payments from Kansas Public Schools in the amount of \$1,500.

**5. Capital Assets**

Additions to capital assets during the year included construction in progress of \$171,617.57, comprised of \$161,965.90 of construction costs and \$9,761.67 of interest capitalized on the outstanding bonds paid prior to the completion of the improvements. The final construction payment was made on 10/31/2012. The asset was transferred from the "Construction in Progress" account to the "Improvements to Facilities" account. Improvements to Facilities will remain a non-depreciable asset until the lease obligation is fulfilled and title is transferred to the school.

**6. Accrued Interest**

Interest payments on the 2009 Series Bonds are due semi-annually on March 1 and September 1 each year until maturity. Interest payable is accrued from March 1 through June 30 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 expensed in the prior period, in accordance with GASB 65, not amortized over the life of the debt.

**8. Deferred Revenue**

The Authority entered into a lease agreement with Kansas Public Schools. The 2009 Bond Series proceeds were used to complete the construction of the elementary and middle school facilities. These improvements have been sold to Kansas Public Schools through a lease agreement. Construction was completed this year and there is a gain on the sale of the asset. This deferred gain will not be recognized until the lease obligation is fulfilled and the title to improvements is transferred to the school.

**9. Equity Classifications**

Equity is classified as net position and 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 net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Delaware County Educational Facilities Authority  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

**I. Summary of Significant Accounting Policies (continued)**

**C. 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 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.

**II. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Delaware 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 2013 fiscal year.

**III. Detailed Notes Concerning the Funds**

**A. Cash**

*Custodial Credit Risk – Deposits.* 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 certificates of deposit, are maintained in financial institutions. As of June 30, 2013, 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.

*Repurchase agreements:* The Authority is invested in the Goldman Sachs Financial Square Treasury Obligations Fund. According to the Financial Square Treasury Obligations Fund holdings report, a portion of the investments are subject to repurchase agreements. The Authority's investments are collateralized by Treasury securities; however, current and future holdings are subject to risk.

**B. Long-Term Debt**

The Authority issued bonds in the amount of \$1,825,000.00 on July 1, 2009. Interest on the bonds is payable March 1<sup>st</sup> and September 1<sup>st</sup> at varying rates. The Authority had a total of (5) principal payments, beginning September 1, 2011.



**Delaware County Educational Facilities Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**III. Detailed Notes Concerning the Funds (continued)**

**B. Long-Term Debt (continued)**

Remaining debt service requirements for the 2009 Series Bonds are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2014	\$ 270,000.00	\$ 45,300.00	\$ 315,300.00
2015	290,000.00	35,920.00	325,920.00
2016	875,000.00	15,531.25	890,531.25
Total	<u>\$ 1,435,000.00</u>	<u>\$ 96,751.25</u>	<u>\$ 1,531,751.25</u>

**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.

	June 30, 2012	Advances	Payments	Balance June 30, 2013	Due within One Year
Bonds Payable	<u>\$ 1,680,000.00</u>	<u>-</u>	<u>\$ 245,000.00</u>	<u>\$ 1,435,000.00</u>	<u>\$ 270,000.00</u>

**D. Lease Purchase Agreement (Sub Lease)**

The Authority has a commitment with the Kansas Public Schools to lease the elementary and middle school facilities. Future minimum rental commitments for operating leases as of June 30, 2013 are as follows:

Year Ended June 30,	Rent
2014	\$ 3,000.00
2015	3,000.00
2016	1,500.00
Total	<u>\$ 7,500.00</u>

The rent is due in equal semi-annual installments on or before the 1st of September and March ending September 1, 2015.

**Delaware County Educational Facilities Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**E. Capital Lease Agreement (Ground Lease)**

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

The following schedule presents future minimum lease payments as of June 30, 2013:

Year Ended June 30,	Principal	Interest	Total Requirements
2014	\$ 310,267.79	\$ 5,482.21	\$ 315,750.00
2015	321,540.51	4,209.49	325,750.00
2016	704,659.47	2,890.53	707,550.00
Total	<u>\$ 1,336,467.77</u>	<u>\$ 12,582.23</u>	<u>\$ 1,349,050.00</u>

The Authority leases the elementary and middle school facilities to the Kansas Public Schools at an interest rate of 0.409%. The terms of this lease commenced on July 1, 2009 and extends to September 1, 2015 under the terms of the indenture and so long thereafter as long as any Bond shall remain outstanding and unpaid. Upon fulfilling the lease obligation, the Authority agrees to execute and deliver to the Kansas Public Schools a deed or bill of sale, as appropriate, to convey legal title to the elementary and middle school facilities.

**IV. Other Information**

**A. Economic Dependence**

During the fiscal year ended June 30, 2013, the Authority reported lease revenues of \$3,000 pursuant to its lease agreement with the Kansas Public Schools, Kansas, Oklahoma. This amount represents 100% of the Authority's total operating revenues.

**B. Subsequent Events**

Management has evaluated subsequent events through July 10, 2014, 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.

# **LANGLEY-LITTLEFIELD-OBER**

*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

124 S MAIN, MIAMI, OK 74354

(918) 542-4401 OFFICE -- (918) 542-8165 FAX

## **INDEPENDENT AUDITORS 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  
Delaware County Educational Facilities Authority  
Delaware County, Oklahoma

We have audited the accompanying financial statements of the Delaware County Educational Facilities Authority (the Authority) a discretely presented component unit of Delaware County, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 3, 2015.

### ***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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness on 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 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.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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.

***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.

May 4, 2015

A handwritten signature in cursive script, reading "Langley-Littlefield-Ober".

**LANGLEY - LITTLEFIELD - OBER, CERTIFIED PUBLIC ACCOUNTANTS, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
MIAMI, OKLAHOMA