

LINCOLN COUNTY EDUCATIONAL
FACILITIES AUTHORITY
LINCOLN COUNTY, OKLAHOMA
CHANDLER, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2020

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LINCOLN COUNTY EDUCATIONAL FACILITIES AUTHORITY
CHANDLER, OKLAHOMA
JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Lincoln County Educational Facilities Authority
Chandler, Oklahoma

Report on Financial Statements

I have audited the accompanying modified cash basis financial statements of the business-type activities of Lincoln County Educational Facilities Authority, Chandler, Oklahoma, a component unit of Lincoln County, 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 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

My responsibility is to express an opinion on these financial statements based on our 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 judgement, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the business-type activities of Lincoln County Educational Facilities Authority as of June 30, 2020, and the respective changes in financial position-modified cash basis, thereof, in conformity with the basis of accounting described in Note 1.

Basis of Accounting

I 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. My opinions are not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 2, 2021 on my consideration of Lincoln County Educational Facilities Authority's internal control over financial reporting and 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 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 considered in assessing the results of my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
July 2, 2021

LINCOLN COUNTY EDUCATIONAL FACILITIES AUTHORITY
LINCOLN COUNTY, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ <u>172,750</u>
Total assets	<u>172,750</u>

LIABILITIES

Total liabilities	<u>-</u>
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NET ASSETS

Unrestricted	<u>172,750</u>
Total net assets	<u>\$ 172,750</u>

The accompanying notes are an integral part of this financial statement.

LINCOLN COUNTY EDUCATIONAL FACILITIES AUTHORITY
LINCOLN COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES

Charges for service	
Admin fees	\$ <u>33,093</u>
Total operating revenues	<u>33,093</u>

OPERATING EXPENSES

Admin fees	<u>6,050</u>
Total operating expenses	<u>6,050</u>

NON-OPERATING REVENUES (EXPENSES)

Total Non-Operating Revenues (Expenses)	<u>-</u>
Net income (loss)	27,043
Total net assets, beginning	<u>145,707</u>
Total net assets, ending	<u>\$ 172,750</u>

The accompanying notes are an integral part of this financial statement.

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

Cash flows from operating activities	
Cash received from operations	\$ 33,093
Cash payments to suppliers for goods and services	<u>(6,050)</u>
Net cash provided (used) by operating activities	<u>27,043</u>
Net increase in cash and cash equivalents	27,043
Cash and cash equivalents, beginning	<u>145,707</u>
Cash and cash equivalents, ending	<u>\$ 172,750</u>
Reconciliation of income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	<u>\$ 27,043</u>
Net cash provided by operating activities	<u>\$ 27,043</u>

The accompanying notes are an integral part of this financial statement.

LINCOLN COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies

1.A. Financial Reporting Entity

Lincoln County Educational Facilities Authority, a public trust, a component unit of Lincoln County, created June 2, 2008, for the benefit of Lincoln County, Oklahoma, to function as an educational trust for the benefit of Lincoln County, Oklahoma, the State of Oklahoma, Governmental Agencies, municipalities and private entities, agencies and citizens in its charitable, scientific, literary or educational purposes and in making the most efficient use of all of their economic resources and powers in accordance with the needs and benefit of the Beneficiary and Lincoln County in order to lessen the burdens on government and to charitable, scientific, literary or educational economic growth and development of Lincoln 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.

Lincoln County Educational Facilities Authority generally does not acquire any assets or incur any liability when it issues bonds for eligible entities. It may earn and collect administrative fees and must be informed of the unpaid balances. If however Lincoln County Educational Facilities Authority manages the assets and liabilities and does not assign them, then the assets and liabilities would be recognized. Note 3 - Conduit Debt Obligations discloses the outstanding obligations, which the Authority has facilitated.

Related Organizations

Lincoln County - Lincoln County is the beneficiary of this public trust. The elected Lincoln County commissioners are the Authority's trustees. Therefore the Authority is considered to be a component unit of Lincoln County.

The accompanying financial statements include all functions and activities over which the Authority exercises financial accountability. Lincoln County Educational Facilities Authority is a component unit of the governmental entity of Lincoln County, Oklahoma. Lincoln County's financial information is not presented in these financial statements. Lincoln County financial audits are readily obtainable at, www.sai.ok.gov, the State Auditor's website.

1.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. All the activities of the Authority are business type activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

LINCOLN COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies, (continued)

1.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 recognized and recorded in the financial statements regardless of the measurement focus applied.

The Authority's financial statements use the economic resources measurement focus and are presented on the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid.

This basis is a basis of accounting other than accounting principles generally accepted in the United States of America. If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

1.D. Assets, Liabilities and Net Position

Cash and Cash Equivalents - The Authority considers all cash on hand, demand deposits, interest bearing checking accounts and time deposit accounts including certificates of deposit and U.S. Treasury bills with maturities of three months or less to be cash and cash equivalents.

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.

LINCOLN COUNTY EDUCATIONAL FACILITIES AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies, (continued)

1.E. Revenues and Expenses

Operating and Nonoperating 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.

Note 2 - Deposits, Investments and Collateral

Deposits and Investments - The Authority does not have a written investment policy that limits its investment choices. Investments are limited by State statute and declaration of trust.

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 does not have a written policy for custodial risk, but Oklahoma Statutes require collateral for all uninsured deposits of public trust funds in financial institutions. At June 30, 2020 the Authority was not exposed to custodial credit risk.

Note 3 - Conduit Debt Obligations

LCEFA - Conduit Debt - The Lincoln County Educational Facilities Authority has the following conduit debt outstanding for Prague, Perkins-Tryon and Stroud Public Schools at June 30, 2020, in the form of Lease Revenue Bonds as follows:

	<u>Original Issue</u>	<u>Payable at July 1, 2018</u>	<u>Additions/ Retirements</u>	<u>Balance at June 30, 2020</u>
Prague	\$ 5,625,000	\$ 5,413,850	\$ (625,068)	\$ 4,788,782
Stroud 2008	7,505,000	3,435,000	(3,435,000)	-
Stroud 2016	38,575,000	38,575,000	-	38,575,000
Perkins-Tryon	<u>14,925,000</u>	<u>14,925,000</u>	<u>(1,555,454)</u>	<u>13,369,546</u>
	<u>\$ 66,630,000</u>	<u>\$ 62,348,850</u>	<u>\$ (5,615,522)</u>	<u>\$ 56,733,328</u>

LINCOLN COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 3 - Conduit Debt Obligations, (continued)

This debt is considered non-commitment debt to the Authority since debt payments are made solely by the schools. Payments are made directly by Prague, Perkins-Tryon and Stroud public schools to the Trustee bank. 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 school are not recorded in the accompanying financial statements. Total conduit debt on June 30, 2020 was \$56,733,328.

Note 4 - Commitments and Contingencies

The Authority is dependent upon the repayment of the bonds solely from the beneficiary (school) of the bond issues. If the beneficiary (school) defaulted on the bond 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 the date of the audit report, which is the date the financial statements were available to be issued, and has determined that no additional information needs to be added to the financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Members of the Board of Trustees
Lincoln County Educational Facilities Authority
Chandler, Oklahoma

I have audited, in accordance with the 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, the financial statements-modified cash basis of the business-type activities of Lincoln County Educational Facilities Authority, a component unit of Lincoln County, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Lincoln County Education Facilities Authority's basic financial statements, and have issued my report thereon dated July 2, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lincoln 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lincoln County Educational Facilities Authority's internal control. Accordingly, I do not express an opinion of the effectiveness of Lincoln 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 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 over financial reporting 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 Lincoln County Educational Facilities Authority's financial statements-modified cash basis 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 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
July 2, 2021