

**Delaware Educational Facilities Authority
Delaware County, Oklahoma**

**Annual Financial Statements
and Accompanying
Independent Auditor's Reports**

**For the Fiscal Year Ended
June 30, 2014**

**Delaware County Economic Development Authority
Board of Trustees**

Doug Smith	Chairman
Dr. James Rutter	Vice Chairman
Lendell Bass	Member
Joe Hutchison	Member
Tim Carson	Member

Secretary
Barbara Barnes

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Susan Duncan

Delaware County Educational Facilities Authority
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LANGLEY-LITTLEFIELD-OBER

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AUDITOR'S REPORT

To the Board of Commissioners
Delaware Economic Development Authority
Delaware County, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Delaware Economic Development Authority a discretely presented component unit of Delaware County as of and for the year ended June 30, 2014, 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, 2014, 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

Management has omitted management’s discussion and analysis 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. Our opinion on the basic financial statements is not affected by this missing information.

Emphasis of Matter

As discussed in Note A, the financial statements present only the Delaware Economic Development Authority and do not purport to, and do not present fairly the financial position of the Delaware County, Oklahoma as of June 30, 2014, 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 June 2, 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.



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

June 15, 2015

Delaware County Economic Development Authority
Statement of Net Position
June 30, 2014

ASSETS

Deposit with 3rd Party	<u>\$ 24,619.71</u>
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NET POSITION

Restricted	-
Unrestricted	<u>24,619.71</u>
Total Net Position	<u><u>\$ 24,619.71</u></u>

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

Delaware County Economic Development Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

Operating Revenues	\$	-
Operating Expenses		
Legal & Audit Fees		5,874.77
Net Income (Loss) from Operations		<u>(5,874.77)</u>
Non Operating Revenue (Expense)		
Transfers from county - increment tax revenue		97,171.48
Transfers from country - legal fee reimbursements		1,573.75
Economic Incentives - interest		<u>(109,682.44)</u>
Total Non Operating Revenue (Expense)		<u>(10,937.21)</u>
Net Income (Loss)		(16,811.98)
Net Position, Beginning of Year		41,431.69
Net Position, End of Year	\$	<u><u>24,619.71</u></u>

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

Delaware County Economic Development Authority
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash Flows from Operating Activities

Payments for professional services	\$	(5,874.77)
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Cash Flows from Capital and Related Financing Activities

Transfers from county - increment tax revenue		97,171.48
Economic incentives - interest		(109,682.44)

Cash Flows from NonCapital and Related Financing Activities

Transfers from county - legal fee reimbursements		1,573.75
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Cash and Cash Equivalents at Beginning of Year		41,431.69
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Cash and Cash Equivalents at End of Year	\$	24,619.71
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Cash and Cash Equivalents, Unrestricted		-
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Cash and Cash Equivalents, Restricted		24,619.71
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Cash and Cash Equivalents at End of Year	\$	24,619.71
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Reconciliation of Operating Income (Loss) to Net Cash

Provided by Operating Activities

Payments for professional services	\$	(5,874.77)
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Delaware County Economic Development Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies

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

The Delaware County Economic Development Authority (Authority) was established as a public trust under and pursuant to the laws of the State of Oklahoma (generally, but not exclusively, Sections 176-180.3, inclusive of Title 60, Oklahoma Statutes 2001 Supplement and the Oklahoma Trust Act) on behalf of the County of Delaware, Oklahoma naming the County as the beneficiary. The purpose of the Authority is to acquire and construct a county jail and/or other detention facility within the territorial limits of Delaware County, Oklahoma and for providing and conducting criminal justice intervention and prevention programs.

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.

Adoption of Accounting Principles

Effective July 1, 2012, the Authority implemented the following financial accounting and reporting standards issued by GASB:

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* (GASB 61). This statement provides guidance on information presented about the financial reporting entity and its component units and amends the criteria for blending in certain circumstances. The adoption of GASB Statement No. 61 did not have a material effect on the financial statements in the current year and had no effect on previously issued financial statements.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The adoption of GASB Statement No. 63 did not have a material effect on the financial statements in the current year and had no effect on previously issued financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of GASB Statement No. 65 did not have a material effect on the financial statements in the current year and had no effect on previously issued financial statements.

Delaware County Economic Development Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity

The Authority complies with GASB Statement No. 14, “*The Financial Reporting Entity*”, and Statement No. 61, “*The Financial reporting Entity: Omnibus.*” 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.

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

The Authority’s fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

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 assets. The operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

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. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 29, the Authority as elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB.

C. 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.

Delaware County Economic Development Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Net Position and Revenues (continued)

2. Equity Classifications

Equity is classified as position and displayed in 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 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 position that does not meet the definition of “restricted” or “net investment in capital assets.”

3. 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 certain 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 Economic Development Authority. The use of budgets and monitoring of equity status facilitate the Authority's compliance with legal requirements. The Authority is not required to present a budget to actual comparison.

III. Detailed Notes Concerning Funds

A. Deposits and Investments

Cash Held by County Treasurer

In accordance with the Delaware County Trust Indenture, the Authority established an account with the Delaware County Treasurer.

The Delaware County Economic Development Authority was established and maintained with excess Ad Valorem Tax, Sales Taxes, and Legal fee reimbursements, transferred by the Delaware County Treasurer to the Trust account held by the County Treasurer. The funds may be used for payment of all.

Delaware County Economic Development Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detailed Notes Concerning Funds (continued)

A. Deposits and Investments (continued)

Cash Held by County Treasurer (continued)

Operation and maintenance expenses for the current year. The cash balance of the Delaware County Economic Authority account at June 30, 2014, was \$24,619.71. This balance was secured by federal depository insurance or collateral held by the pledging bank in the County's name.

B. Sales Tax Collections

Sales tax collections are deposited monthly with the Treasurer and are then entered into the Authority's account as Monthly Apportionments along with any interest collected. Sales taxes will be collected only from the 415 acres complex that will be the Shangri-La resort. A special tax-increment financing (TIF) district will be set up on the 415 acres owned by the Shangri-La resort. The Sales tax collections for the year ended June 30, 2014 was \$97,171.48.

C. Legal Fee Reimbursement

These are the Special Apportionments when the Center for Economic Development Law invoices Shangri-La for their legal services. The invoice is sent to the County who then deposits the amount reimbursed by Shangri-La. Legal fee reimbursements were collected for the year ended June 30, 2014 in the amount of \$1,573.75.

D. Conduit Debt Obligations

On July 1, 2012 the Authority issued Tax Apportionment Note – A for \$236,021 and Note – B for \$1,439,800 for a total of \$1,675,821. Both notes are for a 38 month amortization period at 5.00% interest payable semi-annually on December 31 and July 1, with principal payments beginning December 31, 2014. These notes are secured by the Shangri-La property and are payable solely from the sales and ad valorem tax received from the tax increment district. Neither the Authority nor its beneficiary is obligated in any manner for repayment of the notes. Accordingly, the notes payable and related notes receivable are not reported as liabilities or assets in the accompanying financial statements.

On January 1, 2013 the Authority issued Tax Apportionment Note – A2 for \$36,185 and Note – B2 for \$379,880 for a total of \$416,065. Both notes are for a 37 month amortization period at 5.00% interest payable semi-annually on December 31 and July 1, with principal payments beginning July 1, 2015. These notes are secured by the Shangri-La property and are payable solely from the sales and ad valorem tax received from the tax increment district. Neither the Authority nor its beneficiary is obligated in any manner for repayment of the notes. Accordingly, the notes payable and related notes receivable are not reported as liabilities or assets in the accompanying financial statements.

Delaware County Economic Development Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detailed Notes Concerning Funds (continued)

D. Conduit Debt Obligations (continued)

On July 1, 2013 the Authority issued Tax Apportionment Note – A3 for \$14,875 and Note – B3 for \$188,650 for a total of \$203,525. Both notes are for a 36 month amortization period at 5.00% interest payable semi-annually on December 31 and July 1, with principal payments beginning December 31, 2015. These notes are secured by the Shangri-La property and are payable solely from the sales and ad valorem tax received from the tax increment district. Neither the Authority nor its beneficiary is obligated in any manner for repayment of the notes. Accordingly, the notes payable and related notes receivable are not reported as liabilities or assets in the accompanying financial statements.

As of June 30, 2014 the Authority has \$2,295,411 in conduit debt principal outstanding.

IV. Other Information

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority carries commercial insurance for risks of loss. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

B. Subsequent Events

As of December 15, 2014 there has been a total of \$23,602.12 in interest paid for Note A; \$143,980.00 in interest paid for Note B; \$2,713.89 in interest paid for Note A2; \$28,941.00 in interest paid for Note B2; \$743.76 in interest for Note A3; and, \$9,432.50 for Note B3. There have been no principal payments made.

C. Contingent Liabilities

The governing board of the Authority is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

D. Correction of an Error

The beginning net position of \$38,930.81 was understated by \$2,500.00 due to accounts payable having been canceled. The beginning net position was increased to \$41,431.69.

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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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 15, 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.

A handwritten signature in cursive script that reads "Langley - Littlefield - Ober".

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

June 15, 2015