

HASKELL COUNTY PUBLIC FACILITIES AUTHORITY
A PUBLIC TRUST

FINANCIAL AND COMPLIANCE AUDIT

JUNE 30, 2023

HASKELL COUNTY PUBLIC FACILITIES AUTHORITY
A PUBLIC TRUST
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JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

February 5, 2024

To the Trustees
Haskell County Public Facilities Authority

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Haskell County Public Facilities Authority (the Authority), a component unit of Haskell County, Oklahoma which comprise the statement of net position as of June 30, 2023 and the related statement of revenues, expenses and changes in net position, and statement of cash flows for the year then ended, and the related notes to financial statements which collectively comprise the Haskell County Public Facilities Authority's basic financial statements.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Haskell County Public Facilities Authority as of June 30, 2023, and the respective changes in net position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Haskell County Public Facilities Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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; and 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.

To the Trustees
Haskell County Public Facilities Authority
February 5, 2024

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Haskell County Public Facilities Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Haskell County Public Facilities Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

To the Trustees
Haskell County Public Facilities Authority
February 5, 2024

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Haskell County Public Facilities Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Management has omitted the 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 the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2024, on our consideration of Haskell County Public Facilities Authority's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Haskell County Public Facilities Authority's 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 Haskell County Public Facilities Authority's internal control over financial reporting and compliance.

GRAY, BLODGETT & COMPANY, PLLC



HASKELL COUNTY PUBLIC FACILITIES AUTHORITY
A PUBLIC TRUST
STATEMENTS OF NET POSITION
JUNE 30, 2023

ASSETS

		<u>2023</u>
Assets		
Cash	\$	47,694
Investments		783,164
Accrued interest receivable		9
Sales and use tax receivable		56,539
Due from Haskell County General Fund		1,558,656
Capital assets, net of depreciation		<u>4,911,002</u>
Total Assets		<u>7,357,064</u>
Liabilities		
Accounts payable		18,000
Accrued interest payable		37,480
Note payable		450,000
Bonds payable, net of discount:		
Due within one year		385,000
Due in more than one year		<u>3,595,170</u>
Total Liabilities		<u>4,485,650</u>
Net Position Restricted for Bond Programs	\$	<u><u>2,871,414</u></u>

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

HASKELL COUNTY PUBLIC FACILITIES AUTHORITY
A PUBLIC TRUST
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2023</u>
Operating Expenses	
Accounting expense	\$ 9,000
Depreciation	196,191
Trustee fees	<u>5,000</u>
Operating Loss	<u>(210,191)</u>
Nonoperating revenues and expenses	
Sales and use tax revenue	920,368
Interest income	25,875
Interest expense	(182,334)
Discount Accretion	<u>(6,229)</u>
Total nonoperating revenues and expenses	<u>757,680</u>
Change in Net Position	547,489
Net Position, beginning of year	<u>2,323,925</u>
Net Position, end of year	<u>\$ 2,871,414</u>

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

HASKELL COUNTY PUBLIC FACILITIES AUTHORITY
A PUBLIC TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2023</u>
Cash Flows From Operating Activities:	
Cash paid to suppliers	\$ (5,000)
Net Cash Provided (Used) by Operating Activities	<u>(5,000)</u>
Cash Flows From Investing Activities:	
Purchase of securities	(25,124)
Interest received	25,875
Net Cash Provided (Used) by Investing Activities	<u>751</u>
Cash Flows From Non-Capital Financing Activities:	
Interest paid	<u>(23,625)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(23,625)</u>
Cash Flows From Capital and Related Financing Activities:	
Principal payments on long term debt	(375,000)
Interest paid	(161,638)
Sales tax received	610,546
Net Cash Provided (Used) by Financing Activities	<u>73,908</u>
Net increase (decrease) in cash	46,034
Cash at beginning of year	<u>1,660</u>
Cash at end of year	<u>\$ 47,694</u>
Operating Income (Loss)	\$ (210,191)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	196,191
(Increase) Decrease in accounts payable	9,000
Total Reconciling Adjustments	<u>205,191</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,000)</u>
Cash Paid During the Year for:	
Interest	<u>\$ 185,263</u>

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

HASKELL COUNTY PUBLIC FACILITIES AUTHORITY
A PUBLIC TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 - Trust Authority

The Haskell County Public Facilities Authority (the Authority), a component unit of Haskell County, was created as a public trust under applicable Oklahoma statutes on November 14, 2005, with Haskell County, Oklahoma named as the beneficiary thereof. The Trustees of the Authority, the County Commissioners of Haskell County, is the same governing body of Haskell County. During the year ended June 30, 2017, the Trustees of the Authority approved the First Amendment to the Trust Indenture to add two (2) additional Trustees. These additional Trustees are not acting members of the legally constituted governing body of Haskell County. The purpose of the Authority is primarily to finance the acquisition, construction, furnishing and equipping of the Haskell County Jail and Criminal Justice Facility, of any sort or description, including, but not limited to, any real or personal property related thereto. The provisions of the Trust Indenture basically provide that the Authority is authorized to acquire, lease, or otherwise hold and dispose of real and personal property for its Trust purposes; provided that, no purchaser at any sale or lessee under a lease made by the Trustees shall be bound to inquire into the expediency, propriety, validity or necessity of such sale or lease or to see or be liable for application of the purchase or rental monies arising therefrom. To issue Bonds, Notes or other evidence of indebtedness for any of the purposes of the Trust authorized hereby including but not limited to: the acquisition, construction, reconstruction, equipping or otherwise financing facilities which may be secured with Mortgages, security interests or other collateral satisfactory to the Trustees. Debt issued by the Authority requires two-thirds approval of the Trustees.

On April 1, 2006, the Authority determined to issue, sell and deliver its Haskell County Public Facilities Authority Sales Tax Revenue Bonds, Series 2006, in the aggregate principal amount of \$5,500,000, pursuant to the Bond Indenture. These bonds were issued for the purposes of providing funds for the acquisition, construction and equipping of a new Haskell County Jail and Criminal Justice Facility. The ongoing operations and transactions of the program are accounted for by BancFirst, Oklahoma City, Oklahoma.

On November 1, 2006, the Authority issued Sales Tax Revenue Bonds Series 2006B, in the aggregate principal amount of \$2,000,000 to provide supplemental funds for the design, construction, furnishing and equipping of an expanded new Haskell County Jail and Criminal Justice Facility.

On June 1, 2014, the Authority determined to issue, sell and deliver its Haskell County Public Facilities Authority Sales Tax Revenue Refunding Bonds, Series 2014, in the aggregate principal amount of \$7,235,000, pursuant to the Bond Indenture. These bonds were issued for the purposes of providing funds to advance refund the \$5,500,000 Haskell County Public Facilities Authority Public Facilities Lease Revenue Bonds (Haskell County Jail and Criminal Justice Facility Project) Series 2006 and the \$2,000,000 Haskell County Public Facilities Authority Public Facilities Lease Revenue Bonds (Haskell County Jail and Courthouse Expansion Project) Series 2006B and pay the costs of issuance.

The Authority is financed by a 1/2% sales tax, which was approved in a special election held November 8, 2005, for the acquisition, remodeling, construction, financing, furnishing, and equipping of a new county jail and criminal justice facility and was pledged to the Authority by the County Commissioners. On February 11, 2014, the voters of Haskell County approved a 1/4% sales tax for the purpose of providing general governmental operations effective July 1, 2014. This 1/4% sales tax was then pledged to the Authority by the County Commissioners. Although this 1/4% sales tax was pledged to the Authority by the Board of County Commissioners the State Auditor has informed the County that Article 10 subsection 19 of the Oklahoma Constitution does not allow the Commissioners to pledge these funds in this manner. Article 10 subsection 19 of the Oklahoma Constitution states "Every act enacted by the Legislature, and every ordinance and resolution passed by any county, city, town, or municipal board or local legislative body, levying a tax shall specify distinctly the purpose for which said tax is levied, and no tax levied and collected for one purpose shall ever be devoted to another purpose." The County has always allocated this additional 1/4% sales tax to the County General Fund and not the Authority. Rather than the pledge of sales taxes collected per the bond indenture, the County Commissioners instead appropriate funds from the County General Fund to cover any debt service obligation shortfalls. See Note 6.

Note 2 - Summary of Significant Accounting Policies

Fund Accounting - Haskell County Public Facilities Authority Sales Tax Revenue Refunding Bonds, Series 2014

A description of the funds and accounts created by the Bond Indenture on June 1, 2014, which are currently maintained by the Authority and the Trustee Bank are as follows:

Revenue Fund

All sales tax revenues shall be deposited into a Revenue Fund and then the Trustee is directed to apply the monies as follows:

First: An amount equal to 1/6 of the interest payable on the next ensuing interest date and 1/12 of the principal payable on the next ensuing principal payment date to the Bond Fund.

Second: An amount to the Trustee to pay 1/12 of the amount of the annual trustee fees.

Third: An amount to the Authority to equal its annual prorata audit costs related to the Project and its Annual Administrative Fee equal to 1/10 of one percent of the principal amount of the outstanding Bonds.

Bond Fund

Two sub-accounts shall be established in the Bond Fund, a Principal Account and an Interest Account. The Trustee will make payments in the following order of priority: (i) into the Interest Account, an amount equal to initially, 1/6 of the interest due on December 1, 2014 and thereafter, an amount equal to 1/6 of the interest due on such December 1 and June 1 next succeeding, less the credit balance, if any, of the Interest Account on such date of payment, and (ii) into the Principal Account, an amount equal to 1/12 of the principal maturing on such December 1 next succeeding, less the credit balance, if any, of the Bonds so maturing or being redeemed on such date.

Payments from the Principal and Interest Accounts of the Bond Fund

Prior to each interest payment date, the Trustee will withdraw from the Interest Account of the Bond Fund an amount equal to the interest due on the Bonds on the interest payment date and apply the same to the payment of interest due.

Prior to each date on which any principal amount of the Bonds is to mature or are to be redeemed, the Trustee will withdraw from the Principal Account of the Bond Fund an amount equal to the amount of the Bonds maturing or being redeemed and apply the same to the payment of the maturing principal or redemption price of Bonds being redeemed, as applicable.

Bond Proceeds Fund

The Bond Proceeds Fund shall receive the proceeds of the Bonds. The costs and expenses of and incidental to the issuance and sale of the Bonds shall be paid to the persons entitled.

Bond Fund Reserve

The Bond Fund Reserve shall receive a deposit from Bond proceeds in an amount equaling the Bond Fund Reserve Requirement. Monies deposited in the Bond Reserve shall be used and withdrawn by the Trustee for the purpose of paying the last principal of the Bonds.

Rebate Fund

This fund is created by the Trustee for the benefit of the United States and shall not be subject to the lien of the Bondholders.

Basis of Accounting

These financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred. These financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Government Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

Cash and Investments

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Investment income, gains and losses are reflected in the statement of revenues, expenses and changes in net position.

The Authority includes investment income, realized gains and losses and unrealized gains and losses in other income and expenses.

All amounts held under the Bond Indenture by the Trustee Bank were invested and were continuously and fully secured for the benefit of the Authority and the owners of the Bonds, primarily by the investment thereof in investment securities meeting the strict criteria of the Bond Indenture (See Note 3). These investments were held in the Authority's name. As of June 30, 2023, the Trustee Bank held cash of \$1.

The Authority also has cash held in a local bank. The sales tax revenue received from the Oklahoma Tax Commission is deposited into the Haskell County General Fund, and the Treasurer is required by the bond indenture to allocate 3/4% of the sales tax to the Authority to be used for payment of debt obligations.

Haskell County Public Facilities Authority categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Haskell County Public Facilities Authority does not have any investments that are measured using Level 2 or Level 3 inputs.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as demand deposits.

Accounts Receivable

No allowance for uncollectible accounts has been established as the Authority has determined that all amounts are collectible.

Fixed Assets

Property and equipment are capitalized at cost and depreciated using the straight-line method over their estimated useful lives:

Building	40 years
Equipment	10-15 years
Vehicles	5 years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through the issuance date of this report and no significant events were noted.

Note 3 - Investments

Authorized Investments consist of:

Direct obligations of the United States of America, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

Direct obligations guaranteed by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

Federal Housing Administration debentures.

Direct obligations in agencies which obligations are not fully guaranteed by the full faith and credit of the United States such as the Federal Home Loan Bank System, Farm Credit System, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" by Moody's.

Deposits, the aggregate amounts of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$15 million.

Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

Money market funds rated "Aam" or "Aam-G" by S&P, or better, and if rated by Moody's, rated "Aa2" or better.

Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value as described in Note 2. Investments measured at fair value is as follows at June 30, 2023:

Fair Value Measurements at Reporting Date Using

	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets <u>(Level 1)</u>
<u>June 30, 2023</u>		
Money market mutual funds	<u>\$ 783,164</u>	<u>\$ 783,164</u>

Haskell County Public Facilities Authority
Notes to Financial Statements
June 30, 2023

Note 4 - Fixed Assets

Changes in fixed assets for the year ending June 30, 2023, is as follows:

	Cost			
	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Removals</u>	
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Building	7,819,719	-	-	7,819,719
Furniture and Fixtures	56,724	-	-	56,724
Vehicles	<u>16,080</u>	<u>-</u>	<u>-</u>	<u>16,080</u>
Total	<u>\$ 7,932,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,932,523</u>
	Accumulated Depreciation			
	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Removals</u>	Balance <u>June 30, 2023</u>
Total	<u>\$ 2,825,330</u>	<u>\$196,191</u>	<u>\$ -</u>	<u>\$ 3,021,521</u>

Note 5 - Long Term Debt

Advanced Refunding Bonds

The Authority issued \$7,235,000 of Haskell County Public Facilities Authority Sales Tax Revenue Refunding Bonds Series 2014 (Refunding Bonds) on June 26, 2014, with net proceeds of \$7,085,561 (after issuance costs of \$43,550, less original issue discount of \$105,889) to provide resources along with other existing funds to purchase U.S. Treasury State and Local Government Series securities. These securities were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$6,770,000 of Haskell County Public Facilities Authority Sales Tax Revenue Bonds, Series 2006 and 2006B Bonds (Defeased Bonds) originally issued in the aggregate principal amount of \$7,500,000. This advance refunding was undertaken to reduce total debt service payments over the remaining life of the refunded debt by \$670,795 and resulted in an economic gain of \$1,189,275.

Jr. Lien Sales Tax Revenue Note

In March 2015, the Authority obtained a loan (the Haskell County Public Facilities Authority Junior Lien Sales Tax Revenue Note Series 2015) in the amount of \$450,000 with the financial institution that serves as the Trustee for the Refunding and Defeased Bonds discussed above. The loan is subordinate to these bonds and was taken for the purpose of providing funds to cover certain operating and maintenance expenses, a one-time

Haskell County Public Facilities Authority
Notes to Financial Statements
June 30, 2023

cash flow shortfall and to pay the costs of issuance related thereto. This loan is an interest only note bearing interest at a rate of 5.25% payable on each October 1st and April 1st and is subject to an annual renewal each April 1st until 2024.

Changes in Bonds for the period ended June 30, 2023 are as follows:

Bonds Payable			
Balance <u>June 30, 2022</u>	Bonds <u>Issued</u>	Bonds <u>Paid</u>	Balance <u>June 30, 2023</u>
\$ 4,405,000	\$ -	\$ 375,000	\$ 4,030,000

Bond Discount			
Balance <u>June 30, 2022</u>	Discount <u>Taken</u>	Current <u>Accretion</u>	Balance <u>June 30, 2023</u>
\$ 56,058	\$ -	\$ 6,229	\$ 49,829

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 385,000	\$ 173,544	\$ 558,544
2025	850,000	149,219	999,219
2026	410,000	123,906	533,906
2027	425,000	109,556	534,556
2028	440,000	94,150	534,150
2029-2031	<u>1,970,000</u>	<u>179,450</u>	<u>2,149,450</u>
Total Liability	<u>\$ 4,480,000</u>	<u>\$ 829,825</u>	<u>\$ 5,309,825</u>

The reacquisition price of the Defeased Bonds exceeded the net carrying amount of the old debt by \$601,297 and created a deferred charge on refunding. This amount was netted against the new debt and is recognized as a component of interest expense over the life of the refunded debt, which was shorter than the life of the new debt issued.

Note 6 - Related Party Transactions

Beginning in September 2014 (for revenues collected in July 2014), the Authority was due to receive a total of 3/4% of all sales tax revenues collected by Haskell County. This 3/4% is comprised of the 1/2% sales tax approved by Haskell County voters on November 8, 2005, and the 1/4% sales tax approved by Haskell County voters on February 11, 2014 which

Haskell County Public Facilities Authority
Notes to Financial Statements
June 30, 2023

was then pledged to the authority by the County Commissioners. The additional 1/4% generated by the increased sales tax rate that was effective July 1, 2014, is allocated to the Haskell County General Fund as approved by the voters. While this additional 1/4% was pledged to the Authority by the County Commissioners, the Oklahoma Constitution prohibits the action. The additional 1/4% that should have been received by the Authority totaled \$306,789 at June 30, 2023. As of June 30, 2023, \$1,558,656 was owed to the Authority by the Haskell County General Fund.

Note 7 - Sales Tax Revenue

The following is a schedule of sales and use tax revenue collected in each month and remitted to Haskell County and allocated to the Authority one month later, net of discounts, refunds, and retention.

	<u>June 30, 2023</u>
July	\$ 54,226
August	54,263
September	48,963
October	52,505
November	43,713
December	54,215
January	56,018
February	46,085
March	48,251
April	48,369
May	50,433
June	<u>56,538</u>
	613,579
Additional 1/4% pledged to the Authority but paid to County General Fund	<u>306,789</u>
	<u>\$ 920,368</u>



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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

February 5, 2024

To the Trustees
Haskell County Public Facilities Authority

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Haskell County Public Facilities Authority (the Authority) as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 5, 2024.

Report on Internal Control over Financial Reporting

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

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

To the Trustees
Haskell County Public Facilities Authority
February 5, 2024

control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. (2023-001)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Haskell County Public Facilities Authority's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses. (2023-001, 2023-002)

Haskell County Public Facilities Authority's Response to Findings

Haskell County Public Facilities Authority's response to the findings identified in our audit is described on the following page. Haskell County Public Facilities Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

GRAY, BLODGETT & COMPANY, PLLC

Gray, Blodgett & Company, PLLC

HASKELL COUNTY PUBLIC FACILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2023

#2023-001

Criteria: Per the Haskell County Public Facilities Authority Sales Tax Revenue Refunding Bonds Series 2014 (Refunding Bonds) bond indenture and the Haskell County Public Facilities Authority Junior Lien Sales Tax Revenue Note Series 2015 (Jr. Lien Note), the Sales Tax Agreement that was entered into by Haskell County (the County) and the Authority directs that sales tax revenue in the amount pledged of three-fourths of one percent (3/4%) is required to be allocated by the County to the Authority on a monthly basis, deposited into the Depository Bank and then transferred to the Trustee Bank to be used to satisfy debt service obligations on the Refunding Bonds and the Jr. Lien Note.

Statement of Condition: The Authority is not receiving all of the sales tax revenues indicated by the Sales Tax Agreements between the County and the Authority whereby the Board of County Commissioners pledged 3/4% of the 2% County Sales tax to pay the debt service of the Authority. This is a repeat finding from the prior year audit.

Cause: The measure that was approved by the voters of Haskell County on February 11, 2014 increased sales tax by 1/4% with the additional funding allocated to the County General Fund. The Board of County Commissioners then signed a Sales Tax Agreement pledging the additional 1/4% sales tax revenue to the Authority. The State Auditor noted that this sales tax agreement was in violation of Article 10 subsection 19 of the Oklahoma Constitution which states in part "...no tax levied and collected for one purpose shall ever be devoted to another purpose". The County only allocates 1/2% of the monthly sales tax revenues to the Authority as approved by the voters of Haskell County on November 8, 2005. The County then transfers funds from the County General Fund as needed to meet the debt service requirements.

Effect: In order to meet its debt service obligations since 2014, the Authority has taken on new debt and the County has liquidated County owned assets and made other transfers from the County General Fund to the Authority to be able to pay the debt service of the Authority. The 1/2% sales tax approved November 8, 2005 will not cover the current debt service without the additional 1/4% sales tax revenue approved for the County General Fund that was pledged in the Sales Tax Agreements between the County and the Authority.

Recommendation: We recommend that the Board of County Commissioners consult with legal counsel and the state attorney general to determine if they have violated the state constitution. If a violation has occurred, determine a course of action to resolve the discrepancy between the proposition voted on by the constituents of Haskell County and the Sales Tax Agreement signed by the Board of County Commissioners.

Views of Responsible Officials

The Authority agrees with the findings and recommendations as set out in the Auditors' report as of February 5, 2024.

HASKELL COUNTY PUBLIC FACILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2023

#2023-002

Criteria: The Haskell County Public Facilities Authority is a public trust created under Title 60 of the Oklahoma Statute. Title 60 §180.2 states that a public trust created under this title must cause an annual audit performed by a certified public accountant within 30 days of the end of the trust's fiscal year (July 31) and file one copy of the annual audit with the Oklahoma State Auditor and Inspector within six months of the trust's fiscal year-end (December 31). In addition, the Bond Indenture requires a copy of the annual audit to be provided to the Trustee within six months of the fiscal year-end.

Statement of Condition: The Authority did not engage an auditor to prepare the 2022 annual audit within 30 days after the end of the fiscal year and has not filed the 2022 annual audit with the State Auditor and Inspector or the Trustee as of the date of this report.

Cause: Turnover in the Sheriff position and the County Treasurer position along with changes in the County Clerk's office delayed the audit.

Effect: The Authority is not in compliance with Title 60 §180.2 and is not in compliance with the Bond Indenture.

Recommendation: This non-compliance will be resolved upon the issuance and filing of these audited financial statements. We recommend that the appropriate County officials coordinate to ensure that future audits are completed and appropriately filed in a timely manner.

Views of Responsible Officials

The Authority agrees with the findings and recommendations as set out in the Auditors' report as of February 5, 2024.