

HASKELL COUNTY PUBLIC FACILITIES AUTHORITY  
A PUBLIC TRUST

FINANCIAL AND COMPLIANCE AUDIT

JUNE 30, 2012 AND 2011

HASKELL COUNTY PUBLIC FACILITIES AUTHORITY  
A PUBLIC TRUST  
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JUNE 30, 2012 AND 2011

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### INDEPENDENT AUDITORS' REPORT

September 17, 2012

To the Trustees  
Haskell County Public Facilities Authority

We have audited the accompanying balance sheets of Haskell County Public Facilities Authority (the Authority), a component unit of Haskell County, for the years ended June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Authority's trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The component unit financial statements referred to above do not present the Management Discussion and Analysis, which is required supplemental information that the Government Accounting Standards Board has determined is necessary, but not required to be part of the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Haskell County Public Facilities Authority as of June 30, 2012 and 2011 and the results of its operations and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



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To the Trustees  
Haskell County Public Facilities Authority  
September 17, 2012  
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In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2012 on our consideration of Haskell County Public Facilities Authority's internal control over financial reporting and on its compliance with 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 controls 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 our audit.

GRAY, BLODGETT & COMPANY, PLLC

*Gray, Blodgett + Company, PLLC*

HASKELL COUNTY PUBLIC FACILITIES AUTHORITY  
A PUBLIC TRUST  
BALANCE SHEETS  
JUNE 30, 2012 AND JUNE 30, 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash	\$ 90,159	\$ 78,490
Investments	990,341	995,262
Accrued interest receivable	9	9
Sales and use tax receivable	<u>39,773</u>	<u>39,561</u>
Total Current Assets	<u>1,120,282</u>	<u>1,113,322</u>
Noncurrent Assets		
Land	40,000	40,000
Building	7,819,719	7,819,719
Furniture and Fixtures	16,080	16,080
Vehicles	46,265	46,265
Accumulated Depreciation	<u>(829,930)</u>	<u>(626,595)</u>
Total Noncurrent Assets	<u>7,092,134</u>	<u>7,295,469</u>
Total Assets	<u>\$ 8,212,416</u>	<u>\$ 8,408,791</u>

LIABILITIES AND RETAINED EARNINGS

Current Liabilities		
Accounts payable	\$ 7,000	\$ 7,000
Accrued interest payable	84,493	85,724
Bonds payable - current, net of discount	<u>121,449</u>	<u>105,301</u>
Total Current Liabilities	212,942	198,025
Noncurrent Liabilities		
Bonds payable - net of premium and discount	<u>7,022,542</u>	<u>7,153,207</u>
Total Liabilities	7,235,484	7,351,232
Retained Earnings	<u>976,932</u>	<u>1,057,559</u>
Total Liabilities and Retained Earnings	<u>\$ 8,212,416</u>	<u>\$ 8,408,791</u>

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

HASKELL COUNTY PUBLIC FACILITIES AUTHORITY  
A PUBLIC TRUST  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating Expenses		
Depreciation	\$ 203,336	\$ 202,617
Trustee fees	10,873	10,445
Miscellaneous Operations	<u>530</u>	<u>4,676</u>
Operating Loss	<u>(214,739)</u>	<u>(217,738)</u>
Nonoperating revenues and expenses		
Sales and use tax revenue	457,039	431,108
Interest income	22,416	22,389
Unrealized gain (loss) on investments	(8,174)	3,713
Interest expense	(341,686)	(345,867)
Premium Amortization	6,133	5,853
Discount Accretion	<u>(1,616)</u>	<u>(1,962)</u>
Total nonoperating revenues	<u>134,112</u>	<u>115,234</u>
Net Income	(80,627)	(102,504)
Retained Earnings, beginning of year	<u>1,057,559</u>	<u>1,160,063</u>
Retained Earnings, end of year	<u>\$ 976,932</u>	<u>\$ 1,057,559</u>

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

HASKELL COUNTY PUBLIC FACILITIES AUTHORITY  
A PUBLIC TRUST  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Exhibit C

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities:</b>		
Cash paid to suppliers	\$ (11,404)	\$ (15,120)
Net Cash Provided (Used) by Operating Activities	<u>(11,404)</u>	<u>(15,120)</u>
<b>Cash Flows From Investing Activities:</b>		
Fixed asset additions	(0)	(28,500)
Proceeds from sales of securities	(255,120)	285,800
Purchase of securities	251,868	(227,118)
Interest received	22,415	22,390
Net Cash Provided (Used) by Investing Activities	<u>19,163</u>	<u>52,572</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Principal payments on Long Term debt	(110,000)	(105,000)
Interest paid	(342,917)	(346,857)
Sales tax received	456,827	429,855
Net Cash Provided (Used) by Financing Activities	<u>3,910</u>	<u>(22,002)</u>
Net increase (decrease) in cash	11,669	15,450
Cash at beginning of year	<u>78,490</u>	<u>63,040</u>
Cash at end of year	<u>\$ 90,159</u>	<u>\$ 78,490</u>
<b>Reconciliation of Net Income to Net Cash Provided (Used) by Operation Activities:</b>		
Net Income (Loss)	\$ (80,627)	\$ (102,504)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	203,334	202,617
Non-operating receipts (expenses)	<u>(134,111)</u>	<u>(115,233)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (11,404)</u>	<u>\$ (15,120)</u>
<b>Cash Paid During the Year for:</b>		
Interest	<u>\$ 342,917</u>	<u>\$ 346,857</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, 2012 AND 2011

Note 1 - Summary of Significant Accounting Policies

Organization

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. The purpose of the Authority is primarily to finance the acquisition, construction, furnishing and equipping of a new 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 evidences 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.

The Authority is financed by a 1/2% sales tax, which was approved in a special election held November 8, 2005.

#### Fund Accounting

A description of the funds and accounts created by the Bond Indenture on April 1, 2006 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 Bond Reserve to cause the amount therein to equal the Bond Fund Reserve Requirement.

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

Fourth: 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.

Fifth: To make deposits, if needed, into the Rebate Fund such amount necessary to be paid to the United State Treasury.

Sixth: To the Authority's account to be held by The First National Bank of Stigler and known as the Haskell County Public Facilities Authority Sales Tax Revenue Bonds Jail and Criminal Justice Facility Project Revenue Account.

#### Project Fund

The Project Fund shall receive the proceeds of the Bonds. The costs and expenses incidental to the issuance of the Bonds shall be paid to such persons entitled and thereafter to pay Project costs.

#### 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 one-sixth of the interest due on the next October 1 or April 1, 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 one-twelfth of the principal maturing or subject to Mandatory Redemption on the next April 1, less the credit balance, if any, of the Bonds maturing or being redeemed.

#### 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 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 Stated and shall not be subject to the lien of the Bondholders.

#### Cash and Investments

Investments are carried at fair value. Investment income, gains and losses are reflected in the statement of revenues, expenses and changes in retained earnings.

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 2). These investments were held in the Authority's name. As of June 30, 2012 and 2011 the Trustee Bank held no cash.

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 General Fund, and the Treasurer does an allocation of the 1/2 cent sales tax and makes a transfer to a separate account allocating 75% of the amount collected to the Bond Fund of the Authority and 25% of the amount to the Operations and Expense Fund of Haskell County for the operations of the new jail facility.

#### Cash and Cash Equivalents

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

#### Fixed Assets

Property and equipment are capitalized at cost and will be depreciated using the straight-line method over the estimated useful lives of the assets upon completion of the new jail facility.

### Basis of Accounting

These financial statements are prepared using 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.

### 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 2 - Investments

Authorized Investments consist of:

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

Bonds, debentures or notes issued by the following federal agencies: Export Import Bank of the United States, Federal Housing Administration, U.S. Maritime Administration and Government National Mortgage Association.

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, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan associations and mutual savings banks including the Bank, which are fully insured by

the Federal Deposit Insurance Corporation or other acceptable collateral security commercial paper rated in one of the two highest rating categories by at least two nationally recognized rating agencies or commercial paper backed by a letter of credit or line of credit rated in one of the two highest rating categories.

Written repurchase agreements with any bank, savings institution or trust company (not the Bank) which is insured by the Federal Deposit Insurance Corporation, or with any broker-dealer with retail customers which falls under Securities Investors Protection Corporation protection, provided that such repurchase agreements are fully secured and that such collateral is held by the Bank or such collateral is not subject to liens or claims of third parties, such collateral has a market value at least equal to the amount invested in the repurchase agreement, the Bank has a perfected first security interest in the collateral, and the agreement shall be for a term not longer than 270 days.

Pre-refunded municipal obligations defined as follows:

Any bonds or other obligations of any state of the United States of America or of any other agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity, which are fully secured and have sufficient funds to pay principal and interest and redemption premium, and which are rated in the highest rating category of either Standard & Poor's Corporation or Moody's Investors Service, or any successors thereto.

Investment Agreements with (a) a domestic or foreign bank or corporation the long-term of which, or, in the case of a guaranteed corporation the long term debt is rated at least "AA" by S&P and "Aa2" by Moody's; or (b) a monoline municipal bond insurance company or a subsidiary thereof whose claims paying ability is rated at least "AA" by S&P and "Aa2" by Moody's.

At June 30, 2012 and 2011, investments recorded at cost which approximate market value were comprised of Federated Government Obligations Tax Managed Fund #637 and the direct obligations carried at market value of FHLB – Federal Home Loan Bank DTD 06/26/09 3.35% 06/26/2014, held in the following accounts:

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<u>Description</u>	<u>2012</u>	<u>2011</u>
Federated Government Obligations Tax Managed Fund #637:		
Revenue Account	\$ 117,100	\$ 124,919
Interest Account	11,056	-
Project Account	-	-
Reserve Account	19,324	19,324
Surplus account	<u>144,423</u>	<u>144,406</u>
Total Federated Government Obligations	<u>\$ 291,903</u>	<u>\$ 288,649</u>
FHLB – Federal Home Loan Bank dated 06/26/09 at 3.35% maturing 06/26/2014:		
Reserve Account	<u>\$ 698,438</u>	<u>\$ 706,613</u>
Total Investments	<u>\$ 990,341</u>	<u>\$ 995,262</u>

Investments purchased and sold during the periods were all the same type as held at period end.

Fair Value Measurements

Effective July 1, 2010, the Authority adopted provisions of FASB ASC 820-10 (Formerly Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*), which provides a framework for measuring fair value under GAAP. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820-10 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable inputs and have the lowest priority. The Authority uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Authority measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 and Level 2 inputs were not available.

Assets itemized below were measured at fair value during the year ended June 30, 2012 and 2011 using the market approach. The market approach was used for Level 1 assets. No level 2 or Level 3 assets were used by the Authority.

Fair Value Measurements at Reporting Date Using

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>
<u>June 30, 2012</u>		
Bonds	<u>\$698,438</u>	<u>\$698,438</u>
Total	<u>\$698,438</u>	<u>\$698,438</u>

Gains and losses (realized and unrealized) included in net income for the year ended June 30, 2012 and 2011 are reported in the fair value of investments.

Note 3 - Fixed Assets

Changes in fixed assets for the years ending June 30, 2012 and 2011 are as follows:

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	Cost			Balance June 30, 2012
	Balance June 30, 2011	Additions	Removals	
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Building	7,819,719	-	-	7,819,719
Furniture and Fixtures	46,265	-	-	46,265
Vehicles	16,080	-	-	16,080
<b>Total</b>	<b>\$ 7,922,064</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,922,064</b>

	Accumulated Depreciation			Balance June 30, 2011
	Balance June 30, 2010	Additions	Removals	
<b>Total</b>	<b>\$ 626,595</b>	<b>\$ 203,335</b>	<b>\$ -</b>	<b>\$ 829,930</b>

	Cost			Balance June 30, 2011
	Balance June 30, 2010	Additions	Removals	
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Building	7,819,719	-	-	7,819,719
Furniture and Fixtures	17,765	28,500	-	46,265
Vehicles	16,080	-	-	16,080
<b>Total</b>	<b>\$ 7,893,564</b>	<b>\$ 28,500</b>	<b>\$ -</b>	<b>\$ 7,922,064</b>

	Accumulated Depreciation			Balance June 30, 2011
	Balance June 30, 2010	Additions	Removals	
<b>Total</b>	<b>\$ 423,977</b>	<b>\$ 202,618</b>	<b>\$ -</b>	<b>\$ 626,595</b>

Note 4 - Bonds

The Series 2006 Bonds were issued on, and bear interest from, April 1, 2006 and have maturity dates as shown in the following schedule:

<u>April 1 of the Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2016	565,000	4.50%
2021	1,000,000	4.25%
2026	1,430,000	5.25%
2031	2,035,000	5.25%

The Bonds maturing April 1, 2016 are subject to mandatory sinking fund redemption, in part, at the principal amount thereof, on April 1, in each of the years below described in the principal amounts as follows:

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<u>Maturity</u>	<u>Amount</u>
2013	125,000
2014	135,000
2015	145,000
2016(Scheduled Maturity)	160,000

The Bonds maturing April 1, 2021 are subject to mandatory sinking fund redemption, in part, at the principal amount thereof, on April 1, in each of the years below described in the principal amounts as follows:

<u>Maturity</u>	<u>Amount</u>
2017	\$ 170,000
2018	185,000
2019	200,000
2020	215,000
2021(Scheduled Maturity)	230,000

The Bonds maturing April 1, 2026 are subject to mandatory sinking fund redemption, in part, at the principal amount thereof, on April 1, in each of the years below described in the principal amounts as follows:

<u>Maturity</u>	<u>Amount</u>
2022	\$ 245,000
2023	265,000
2024	285,000
2025	305,000
2026(Scheduled Maturity)	330,000

The Bonds maturing April 1, 2031 are subject to mandatory sinking fund redemption, in part, at the principal amount thereof, on April 1, in each of the years below described in the principal amounts as follows:

<u>Maturity</u>	<u>Amount</u>
2027	\$ 350,000
2028	380,000
2029	405,000
2030	435,000
2031(Scheduled Maturity)	465,000

The Series 2006B Bonds were issued on, and bear interest from, November 1, 2006 and have maturity dates as shown in the following schedule:

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<u>April 1 of the Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$ 390,000	4.250%
2026	715,000	4.375%
2031	895,000	4.500%

The Bonds maturing April 1, 2021 are subject to mandatory sinking fund redemption, in part, at the principal amount thereof, on April 1, in each of the years below described in the principal amounts as follows:

<u>Maturity</u>	<u>Amount</u>
2017	\$ 45,000
2018	60,000
2019	75,000
2020	95,000
2021(Scheduled Maturity)	115,000

The Bonds maturing April 1, 2026 are subject to mandatory sinking fund redemption, in part, at the principal amount thereof, on April 1, in each of the years below described in the principal amounts as follows:

<u>Maturity</u>	<u>Amount</u>
2022	\$ 130,000
2023	135,000
2024	145,000
2025	150,000
2026(Scheduled Maturity)	155,000

The Bonds maturing April 1, 2031 are subject to mandatory sinking fund redemption, in part, at the principal amount thereof, on April 1, in each of the years below described in the principal amounts as follows:

<u>Maturity</u>	<u>Amount</u>
2027	\$ 165,000
2028	170,000
2029	180,000
2030	185,000
2031(Scheduled Maturity)	195,000

The bonds are subject to redemption prior to the stated maturities, however, the bonds maturing through April 1, 2016 are not subject to this optional redemption. Should the Authority see fit to allow the bonds to mature without using this option then the bonds will be subject to mandatory redemption at the stated maturity dates first. The price of bonds redeemed prior to maturity and after April 16, 2016, will be 100% of the principle amount plus accrued interest.

The bonds are also subject to special redemption at the option of the Authority if such redemption is made of (a) insurance proceeds; (b) expropriation awards; (c) the proceeds of all or part of the facility being leased; or (d) payments received from the Authority pursuant to an event of default.

Radian Asset Assurance, Inc., a New York corporation, has issued its Policy insuring the payment of principal and interest on these Bonds on the due dates.

Changes in Bonds for the period ended June 30, 2012 are as follows:

<u>Bonds Payable</u>			
<u>Balance</u> <u>June 30, 2011</u>	<u>Bonds</u> <u>Issued</u>	<u>Bonds</u> <u>Paid</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>\$ 7,140,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 7,030,000</u>
<u>Bond Premium</u>			
<u>Balance</u> <u>June 30, 2011</u>	<u>Premium</u> <u>Taken</u>	<u>Current</u> <u>Amortization</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>\$ 138,150</u>	<u>\$ -</u>	<u>\$ 6,133</u>	<u>\$ 132,017</u>
<u>Bond Discount</u>			
<u>Balance</u> <u>June 30, 2011</u>	<u>Discount</u> <u>Taken</u>	<u>Current</u> <u>Accretion</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>\$ 19,642</u>	<u>\$ -</u>	<u>\$ 1,616</u>	<u>\$ 18,026</u>

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Changes in the Bonds for the year ending June 30, 2011 are as follows:

<u>Bonds Payable</u>			
<u>Balance</u> <u>June 30, 2010</u>	<u>Bonds</u> <u>Issued</u>	<u>Bonds</u> <u>Paid</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>\$ 7,245,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 7,140,000</u>

<u>Bond Premium</u>			
<u>Balance</u> <u>June 30, 2010</u>	<u>Discount</u> <u>Taken</u>	<u>Current</u> <u>Amortization</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>\$ 144,003</u>	<u>\$ -</u>	<u>\$ 5,853</u>	<u>\$ 138,150</u>

<u>Bond Discount</u>			
<u>Balance</u> <u>June 30, 2010</u>	<u>Discount</u> <u>Taken</u>	<u>Current</u> <u>Accretion</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>\$ 21,604</u>	<u>\$ -</u>	<u>\$ 1,962</u>	<u>\$ 19,642</u>

Note 5 - Sales Tax Revenue

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
July	\$ 37,003	\$ 35,624
August	36,190	37,118
September	38,168	35,654
October	51,234	32,160
November	30,268	34,425
December	37,338	38,413
January	43,076	41,820
February	35,807	32,883
March	34,961	35,049
April	40,750	34,823
May	32,471	33,577
June	39,773	39,562
	<u>\$ 457,039</u>	<u>\$ 431,108</u>



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### 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

September 17, 2012

To the Trustees  
Haskell County Public Facilities Authority

We have audited the financial statements of Haskell County Public Facilities Authority (the Authority) as of June 30, 2012 and 2011, and have issued our report thereon dated September 17, 2012. The Management Discussion and Analysis, supplemental information, that the Government Accounting Standards Board has determined necessary but not required was not presented. We conducted our audit in accordance with U.S. generally accepted auditing standards, and except as discussed above, we have conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control over Financial Reporting

In planning and performing our audit, we considered Haskell County Public Facilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Haskell County Public Facilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*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.



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MEMBER

To The Trustees  
Haskell County Public Facilities Authority  
September 17, 2012  
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Our 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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting. 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.

#### 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.

Haskell County Public Facilities Authority's response to the findings identified in our audit is described below. We did not audit Haskell County Public Facilities Authority's response, and, accordingly, we express no opinion on it.

#### Auditor Involvement with Financial Statements

Finding: A system of internal control over financial reporting does not stop with relying on the internal controls of the trust department of the trustee bank. It includes controls over financial statement preparation, including footnote disclosures. A lack of competencies to prepare disclosures is considered to be a weakness in controls over financial reporting. Although as your external auditor, we assist you in the preparation of financial statements and the disclosures; it does not eliminate the control deficiency. As

To The Trustees  
Haskell County Public Facilities Authority  
September 17, 2012  
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external auditors, we cannot be considered a part of the Authority's system of internal control. This is a repeat finding from the prior year audit.

Recommendation: Management should consider obtaining outside support from an individual or group that might provide the expertise to management regarding the preparation of the financial statements and the disclosures in the financial statements.

Responses from Haskell County Public Facilities Authority: We concur with the finding as noted above. However, we feel it would not be cost effective to contract with someone with required skill set at this time.

This report is intended solely for the information and use of the Haskell County Public Facilities Authority, the trustee bank, the County of Haskell, Oklahoma, and the Office of the Auditor and Inspector of the State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.

GRAY, BLODGETT & COMPANY, PLLC

*Gray, Blodgett & Company, PLLC*