

Rogers County Finance Authority

Independent Auditor's Report
and Financial Statements

For the Year Ended June 30, 2023

Rogers County Finance Authority
Table of Contents
June 30, 2023

Independent Auditor's Report	1-2
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements In Accordance with Government Auditing Standards	3
<i>General Purpose Financial Statements</i>	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6
<i>Supplemental Information:</i>	
Notes to the Financial Statements	7-13
Schedule of Audit Findings and Results	14



Independent Auditor's Report

Board of Trustees
Rogers County Finance Authority

Opinions

We have audited the accompanying financial statements of Rogers County Finance Authority as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Rogers County Finance Authority, as of June 30, 2023, 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.

Basis for Opinions

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Rogers County Finance 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 opinions.

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.

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 Rogers County Finance Authority 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but 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.

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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 the Rogers County Finance 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rogers County Finance 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, on our consideration of the Rogers County Finance Authority 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 Rogers County Finance Authority internal control over financial reporting and compliance.



Hood & Associates CPAs, P.C.
Tulsa, OK
December 7, 2023



Report on Internal Control Over Financial Reporting Compliance and on Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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 Rogers County Finance Authority as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise which comprise Rogers County Finance Authority basic financial statements, and have issued our report thereon dated December 7, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rogers County Finance Authority internal control over financial reporting in order to determine the audit procedures that are appropriate in the circumstances 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 Rogers County Finance Authority 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 the 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. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether the Rogers County Finance Authority financial statements are free of material misstatement, we performed tests of the 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 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.

Hood & Associates, CPAs, PC.

Hood & Associates CPAs, P.C.
December 7, 2023

HOOD & ASSOCIATES CPAS, PC

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Rogers County Finance Authority
Statement of Net Position
As of June 30, 2023

ASSETS

Current Assets

Cash and Cash Equivalents, Restricted	\$ 2,849,612
Due from Other Governments, Current Portion	895,833
Total Current Assets	3,745,446

Noncurrent Assets

Due from Other Governments, Net of Current Portion	180,833
Total Noncurrent Assets	180,833

Total Assets	3,926,279
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LIABILITIES

Current Liabilities

Accrued Interest Payable	31,763
Revenue Refunding 2017 Bond Payable, Current Portion	2,205,000
Total Current Liabilities	2,236,763

Long Term Liabilities

Revenue Refunding 2017 Bond Payable, Net of Current Portion	215,000
Total Noncurrent Liabilities	215,000

Total Liabilities	2,451,763
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Deferred Inflows of Resources	1,474,517
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NET POSITION

Total Net Position	\$ -
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The accompanying notes are in integral part of these financial statements.

Rogers County Finance Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

Operating Revenues		
Sales Tax Revenue	\$	49,848
Operating Expenses		
Accounting Fees		6,541
Trustee Fees		4,000
Net Income (Loss) from Operations		39,307
Non Operating Revenue (Expense)		
Interest Expense		(92,142)
Interest Income		52,835
Total Non Operating Revenue (Expense)		(39,307)
Net Income (Loss)		-
Net Position, Beginning of Year		-
Net Position, End of Year	\$	-

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

Rogers County Finance Authority
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash Flows from Operating Activities

Cash Inflows:

Sales Tax Proceeds	\$	4,995,718
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Cash Outflows:

Payments for Goods and Services		10,541
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Net Cash Provided (Used) by Operating Activities		4,985,177
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Cash Flows from Capital and Related Financing Activities

Interest Payments on Bonds		(194,669)
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Principal Payments on Bonds		(4,555,000)
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Net Cash Provided (Used) for Capital and Related Financing Activities		(4,749,669)
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Cash Flows from Investing Activities

Interest Received from Investments		52,865
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Investments Sold		-
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Net Cash Provided (Used) for Capital and Investing Activities		52,865
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Net Cash Inflow (Outflow) from All Activities		288,374
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Cash and Cash Equivalents at Beginning of Year		2,561,269
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Cash and Cash Equivalents at End of Year	\$	2,849,642
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Cash and Cash Equivalents, Restricted at BOK	\$	2,849,642
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Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

Net Operating Income (Loss)	\$	39,307
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Change in Due from Other Governments		4,375,833
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Change in Deferred Sales Tax Revenue		570,037
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Net Cash Provided by Operating Activities	\$	4,985,177
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The accompanying notes are in integral part of these financial statements.

Rogers County Finance Authority
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. Summary of Significant Accounting Policies

The Rogers County Finance Authority (Authority) was established on April 9, 2012 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 Rogers, Oklahoma naming the County as the beneficiary. The proceeds of the series 2012 Bonds will be utilized to (i) purchase the judgement in the case of Material Service Corp v. Rogers County, in the Rogers County Court, Case Number CJ-2004-234, (ii) fund the costs of the Reserve fund, and (iii) pay the costs of issuance incurred in connection with the Series 2012 Bonds.

Pursuant to a special election on June 26, 2012, voters approved the levy of an additional one-third of one cent (.33%) sales tax for the purpose of satisfying the indebtedness evidenced by the judgement in the case of Material Service Corp v. Rogers County, in the Rogers County Court, Case Number CJ-2004-234. Such sales tax is to commence on October 1, 2012 and continue thereafter until the series 2012 bonds and any indebtedness to refund them has been paid or full cash provided for such payment is in the hands of the Trustee Bank.

On August 13, 2013, Rogers County voters approved the renewal of a one-cent sales tax. This was renewed for an additional five years. Although the majority of this sales tax is for County roads and bridges, 12½% of the proceeds (or one-eighth of one cent) was used to pay the judgment in the Material Service Corporation case. The 12½% (or one-eighth of one cent) was not renewed in September 2018. All of the one-third of one percent Sales Tax revenues collected by the County and appropriated to the Authority, the one third of one percent Use Tax also so appropriated, and all of the one-eighth of one percent Sales Tax revenues collected by the County and appropriated to the Authority is hereinafter referred to as “Sales Tax Revenue”.

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

A. Financial Reporting Entity

The Authority complies with GASB Statement No. 14, “*The Financial Reporting Entity*” as amended by GASB 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.

Rogers County Finance Authority
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. Summary of Significant Accounting Policies (continued)

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

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net

position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. 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. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements.

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.

2. Securities

The securities amount of \$21,263,000.00 represents the portion of the Bond Escrow fund that is invested in US Treasury Notes that will mature at various dates to facilitate principal and interest payments of the Series 2012 Bonds. These securities were used to meet the full debt requirement and the Series 2012 Bonds were called in August 2021.

3. Fair Value of Financial Instruments

The Authority's financial statements include cash and investments. The Authority's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Restricted Assets

Restricted assets include investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the bond indenture require that funds for bond payments be held in a bond fund which is comprised of the Bond Sinking Fund and the Escrow fund. Under the terms and provisions of the indenture, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the bonds are outstanding.

Rogers County Finance Authority
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. Summary of Significant Accounting Policies (continued)

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

5. Accrued Interest

Interest payments on the 2017 Series Bonds are due semi-annually on February 1st and August 1st each year until maturity. Interest payable is accrued from February 1st through June 30th on all bonds.

6. Due from Other Governments

The Authority's liability for the Series 2017 Bonds is financed using sales tax revenue received from the County of Rogers, Oklahoma. The sales tax revenue the Authority expects to receive from the County is classified as Due from Other Governments with amounts expected to be collected within the next year classified as a current asset and the amount expected in future years classified as a noncurrent asset.

7. Long-Term Obligations

Long-term debt is reported as a liability in the Authority's balance sheet. Bond premiums and discounts, as well as issuance costs, are recognized as non-operating income or expense items in the Statement of Revenues, Expenses, and Changes in Net Position.

8. Restricted Net Position

Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. As of June 30, 2023, the Authority had no restricted net position.

9. Revenues

Sales Tax Revenue Bond Series 2012 & Sales Tax Revenue Refunding Bond Series 2017

Rogers County began levying an additional one third of one percent sales tax on October 1, 2012 to provide revenues to be used to pay the principal and interest on the Bonds issued by the Authority, the proceeds of which are used to pay and satisfy the balance due and owing on the Judgment and pay accrued interest.

Rogers County Finance Authority
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. Summary of Significant Accounting Policies (continued)

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

9. Revenues (continued)

Bank of Oklahoma, “The Bank”, shall receive daily all sales and use tax received by the Authority from the county into the sinking fund. From the Sinking Fund there is to be paid in the following order:

- a. The sums required for payment of interest on the Bonds first and then payment of maturing principal of the Bonds and any bank fees and audit costs relating to the bonds.
- b. Payments of funds required to replenish any deficiency in the Sinking Fund Reserve Fund, as provided in the Indenture; and
- c. The remainder is to be retained and used for payment and prepayment of the Series 2017 Bonds.

10. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect 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.

11. Concentrations

The Authority relies on the transfer of dedicated sales taxes from Rogers County to meet the principal and interest payments on the outstanding bonds payable. If the dedicated sales taxes were to be insufficient, then the Authority may be unable to make the required payments on the outstanding bonds payable.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Rogers County Finance Authority. The use of budgets and monitoring of equity status facilitate the Authority's compliance with legal requirements. The Authority did not prepare a budget for 2023.

Rogers County Finance Authority
Notes to the Financial Statements
For the Year Ended June 30, 2023

III. Detailed Notes Concerning Funds (continued)

A. Deposits and Investments (continued)

State statutes govern the Authority's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Authority invests entirely in U.S. Treasury Notes.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's cash deposits, including U.S. Treasury Securities, are maintained in financial institutions. As of June 30, 2023, none of the Authority's deposits were exposed to custodial credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

B. Long-Term Debt

Sales Tax Revenue Bonds Series 2012

On August 1, 2012, the Authority issued \$32,375,000 in sales tax revenue bonds with interest rates ranging between 2.00% and 4.65%. The bonds were issued to provide funds to pay and satisfy the balance due and owing on the Judgment, to fund capitalized interest and to pay the costs and expenses of and incidental to, the issuance and sale of the bonds. The Authority has made early payments of the principle starting in 2015 as a result of collecting an additional 1/8-cent sales tax. This 1/8-cent sales tax expired in September 2018. The full debt requirement and the Series 2012 Bonds were called in August 2021.

Interest on the bonds is payable semi-annually on February 1st and August 1st at varying rates starting February 1, 2013. Principal payments are due annually on August 1st starting August 1, 2014.

Rogers County Finance Authority
Notes to the Financial Statements
For the Year Ended June 30, 2023

III. Detailed Notes Concerning Funds (continued)

B. Long-Term Debt (continued)

Debt service requirements for the Series 2012 bonds are:

The series 2012 bonds were callable on August 1, 2021, at which time, the bonds were redeemed and paid in full.

Sales Tax Revenue Refunding Bonds Series 2017

On August 1, 2017, the Authority issued \$22,600,000 in Sales Tax Revenue Refunding Bonds with interest rates ranging between 2.62% and 3.60%. The bonds were issued to refund the Sales Tax Revenue Bonds Series 2012 and to pay the costs and expenses of issuance of the Bonds.

Interest on the bonds is payable semi-annually on February 1st and August 1st at varying rates starting February 1, 2019. Principal payments are due semi-annually on February 1st and August 1st starting February 1, 2019.

Debt service requirements for the Series 2017 bonds are:

Year Ended June 30,	Rate	Principal	Interest	Total Requirements
2024	3.15% to 3.50%	\$ 2,205,000	\$ 61,390	\$ 2,266,390
2025	3.15% to 3.60%	215,000	3,763	218,763
2026	3.60%	-	-	-
		<u>\$ 2,420,000</u>	<u>\$ 65,153</u>	<u>\$ 2,485,153</u>

Rogers County Finance Authority
Notes to the Financial Statements
For the Year Ended June 30, 2023

III. Detailed Notes Concerning Funds (continued)

C. Changes in Long-Term Debt

Long-term debt consists of bonds payable. The following is a summary of the changes in long-term debt of the Authority for the fiscal year.

<u>Bonds Payable</u>	<u>Balance 6/30/2022</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 6/30/2023</u>	<u>Due Within One Year</u>
2017 Series	\$ 6,975,000	\$ -	\$ 4,555,000	\$ 2,420,000	\$ 2,205,000
Total	<u>\$ 6,975,000</u>	<u>\$ -</u>	<u>\$ 4,555,000</u>	<u>\$ 2,420,000</u>	<u>\$ 2,205,000</u>

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

Subsequent events were examined through December 7, 2023, and there not matters that needed to be disclosed in the financial statements for current fiscal year.

C. Contingent Liabilities

The governing board of the Authority is not aware of any pending or threatened legal actions against it as of June 30, 2023.

Rogers County Finance Authority
Notes to Financial Statements
For the Year Ended June 30, 2023

Prior Year Audit Findings:

NONE

Current Year Audit Findings:
Compliance

NONE

Internal Control Over Financial Reporting:

NONE

B. Questioned Costs:

NONE