

***WASHINGTON COUNTY
CORRECTIONAL
FACILITIES AUTHORITY***

Washington County, Oklahoma
Financial Statements and Independent Auditor's Report
For the Year Ended June 30, 2019

**WASHINGTON COUNTY
CORRECTIONAL FACILITIES AUTHORITY**

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STOTTS • ARCHAMBO
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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Washington County Correctional Facilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund information of *Washington County Correctional Facilities Authority* (the "Authority") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of *Washington County Correctional Facilities Authority* as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 on our consideration of the *Authority's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the *Authority's* internal control over financial reporting and compliance.

Stotts, Archambo, Muegenborg & Barclay, PC

Stotts, Archambo, Muegenborg & Barclay, PC
Certified Public Accountants
Bartlesville, OK

November 25, 2019

WASHINGTON COUNTY
CORRECTIONAL FACILITIES AUTHORITY
Statement of Net Position and Governmental Fund Balance Sheet
June 30, 2019

<u>ASSETS</u>	<u>Governmental Fund- General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Current assets:			
Cash and cash equivalents	\$ 1,407,197	-	1,407,197
Total current assets	<u>1,407,197</u>	<u>-</u>	<u>1,407,197</u>
Capital assets:			
Non-depreciable	-	222,300	222,300
Depreciable, net of depreciation	-	8,434,500	8,434,500
Total non-current assets	<u>-</u>	<u>8,656,800</u>	<u>8,656,800</u>
Total Assets	\$ <u>1,407,197</u>	<u>8,656,800</u>	<u>10,063,997</u>
 <u>LIABILITIES AND FUND BALANCE/NET POSITION</u>			
Current liabilities:			
Accrued interest payable	\$ 2,960	-	2,960
Revenue bonds payable, current portion	-	2,029,500	2,029,500
Total current liabilities	<u>2,960</u>	<u>2,029,500</u>	<u>2,032,460</u>
Total liabilities	<u>2,960</u>	<u>2,029,500</u>	<u>2,032,460</u>
Fund Balance			
Restricted for debt service	2,029,500	(2,029,500)	-
Unassigned	(625,263)	625,263	-
Total fund balance (deficit)	<u>1,404,237</u>	<u>(1,404,237)</u>	<u>-</u>
Total Liabilities and Fund Balance	\$ <u>1,407,197</u>		
 <u>NET POSITION</u>			
Restricted for debt service		<u>6,627,300</u>	<u>8,031,537</u>
Total Net Position		<u>6,627,300</u>	<u>8,031,537</u>

See accompanying notes to the basic financial statements.

WASHINGTON COUNTY
CORRECTIONAL FACILITIES AUTHORITY
Statement of Activities and Governmental Fund Revenues,
Expenditures and Changes in Fund Balance/Net Position
For the Year Ended June 30, 2019

	Governmental Fund- General Fund	Adjustments	Statement of Activities
Revenues			
Sales tax revenue	\$ 3,125,723	(3,125,723)	-
Investment income	14,891	(14,891)	-
Total revenues	<u>3,140,614</u>	<u>(3,140,614)</u>	<u>-</u>
Expenditures/expenses			
Interest expense	44,700	-	44,700
Debt repayment	1,259,500	(1,259,500)	-
Depreciation expense	-	337,311	337,311
Total expenditures/expenses	<u>1,304,200</u>	<u>(922,189)</u>	<u>382,011</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>1,836,414</u>	<u>(2,218,425)</u>	<u>(382,011)</u>
Other financing sources (uses)			
Sales tax revenue	-	3,125,723	3,125,723
Investment income	-	14,891	14,891
Transfers out	(1,315,983)	-	(1,315,983)
Total other financing	<u>(1,315,983)</u>	<u>3,140,614</u>	<u>1,824,631</u>
Change in fund balance/net position	520,431	922,189	1,442,620
Fund balance/net position, beginning of year	<u>883,806</u>	<u>5,705,111</u>	<u>6,588,917</u>
Fund balance/net position, end of year	<u>\$ 1,404,237</u>	<u>6,627,300</u>	<u>8,031,537</u>

See accompanying notes to the basic financial statements.

**WASHINGTON COUNTY
CORRECTIONAL FACILITIES AUTHORITY**

Reconciliation of Governmental Fund Statements to Government-Wide Statements
For the Year Ended June 30, 2019

Reconciliation of fund balance to net position:

Fund balance	\$ 1,404,237
Capital assets reported in the statement of net position are not financial resources and, therefore, are not reported in the general fund.	8,656,800
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the general fund.	<u>(2,029,500)</u>
Net position	<u>\$ 8,031,537</u>

Reconciliation of change in fund balance to change in net position:

Change in fund balance	\$ 520,431
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense:	(337,311)
Debt service principal retirement expensed in fund level financial statements but treated as reduction in outstanding debt in government-wide financial statements	<u>1,259,500</u>

Change in net position of governmental activities 1,442,620

Fund balance/net position,
beginning of year 6,588,917

Fund balance/net position end of year \$ 8,031,537

See accompanying notes to the basic financial statements.

WASHINGTON COUNTY
CORRECTIONAL FACILITIES AUTHORITY

Notes to Financial Statements
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: *Washington County Correctional Facilities Authority* (the “*Authority*”) was created by a Declaration of Trust Indenture dated July 9, 2007, for the furtherance of public purposes and the benefit of Washington County, Oklahoma (the “*County*”), pursuant to the provisions of Title 60, Oklahoma Statutes 2001, Section 176 et seq., as amended; Title 60, Oklahoma Statutes 2001, Section 175.1 et seq., as amended and other applicable statutes and laws of the State of Oklahoma (the “*State*”). The *Authority* is a component unit of the County. The Washington County Sheriff’s Department (“*Sheriff’s Department*”) occupies the facility.

The *Authority* was established primarily to provide funds for the acquisition, construction and equipping of a county correctional facility and certain improvements to the county courthouse, to fund a debt service reserve, and to pay certain costs of issuance. The *Authority* may also provide funds for the operations of the correctional facility including maintenance, salaries and other general operating costs.

Basis of Accounting: The *government-wide financial statements* (i.e., the statement of net position and the statement of activities) display information about the reporting entity as a whole. They report on all of the non-fiduciary activities of the government. The *Authority*’s activities are primarily supported by sales tax revenue. When both restricted and unrestricted resources are available for use, it is the *Authority*’s policy to use restricted resources first, and then unrestricted resources as they are needed.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The *governmental fund financial statements* are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Capital outlays are recorded as expenditures in the governmental fund financial statements.
- Debt service principal retirement is recorded as an expenditure in the governmental fund financial statements.

All operations of the *Authority* are recorded in the governmental fund type, in the General Fund. Governmental funds are accounted for using a spending (or financial flow) measurement focus.

WASHINGTON COUNTY
CORRECTIONAL FACILITIES AUTHORITY

Notes to Financial Statements

June 30, 2019

(continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Only current assets and current liabilities are included on the balance sheet. The operations statement presents sources and uses of available expendable resources during a given period of time. The General Fund is used to account for the *Authority's* expendable financial resources and related liabilities.

The financial statements have been presented in accordance with the reporting model required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intent of the Statement is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB Statement No. 54 has provided a hierarchy of spendable fund balances based on a hierarchy of spending constraints. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolutions). Those committed amounts cannot be used for any other purpose unless the governing body removes or changes the specified use by taking the same type of action (resolutions) it employed to previously commit those amounts.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the *Authority* for specific purposes but do not meet the criteria to be classified as restricted or committed. In funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the *Authority*.

WASHINGTON COUNTY
CORRECTIONAL FACILITIES AUTHORITY

Notes to Financial Statements

June 30, 2019

(continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

Cash and Cash Equivalents: Highly liquid investments with an original maturity of three months or less at the date of purchase are considered cash equivalents.

Net Position: Restricted net position includes resources which the *Authority* is legally or contractually obligated to spend in accordance with restrictions imposed by the bond indenture.

Sales Tax Revenue: On June 9, 2009, voters in Washington County approved a proposition increasing their sales tax by ½ percent. The sales tax was approved specifically for the acquisition, construction and equipping of a new county jail facility (the “Facility”). The sales tax became effective October 1, 2009 and the County began receiving proceeds during December 2009. The term of the sales tax is for a period of 10 years or until the principal and interest on the Series 2010 Bonds is paid in full, whichever occurs first. Upon issuing the 2013 Refunding Bonds which retired the 2010 Bonds, the sales tax revenue became available for payment of the 2013 Refunding Bonds. Thereafter, the sales tax will be reduced to one-quarter of one percent and will be used, along with other money appropriated by the County, to operate and maintain the Facility. Upon issuing the 2017 Refunding Bonds which retired the 2013 Bonds, the sales tax revenue became available for payment of the 2017 Refunding Bonds. Sales tax revenue is recognized as received.

Investment Income: Investment income includes interest income, realized gains and losses, and unrealized changes in fair value of investments. Interest income is recognized as earned.

Arbitrage Rebate: The proceeds from the *Authority*’s tax-exempt bond issues are subject to arbitrage rebate laws under the Internal Revenue Code. This arbitrage rebate limits the earnings on investment of tax-exempt proceeds in non-purpose investments. The *Authority* had no arbitrage rebate liability at June 30, 2019.

Capital Assets, Net: Capital assets are carried at cost. The *Authority* capitalizes all property and equipment purchases of \$500 or more. The *Authority*’s capital assets at June 30, 2019 consist of land, buildings and improvements, software and equipment. Routine repairs and maintenance are charged to expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which currently range from three (3) to forty (40) years. Depreciation expense was \$337,311 for the year ended June 30, 2019.

WASHINGTON COUNTY
CORRECTIONAL FACILITIES AUTHORITY

Notes to Financial Statements

June 30, 2019

(continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bonds Payable, Net: Series 2017 bonds payable are shown net of unamortized discounts and premiums. Discounts and premiums on bonds payable are amortized to interest expense over the expected life of the bond issue.

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the *Authority* that is applicable to a future reporting period. At June 30, 2019, the *Authority* has no deferred outflows of resources.

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the *Authority* that is applicable to a future reporting period. At June 30, 2019, the *Authority* has no deferred inflows of resources.

Income Taxes: As a public trust, the income of the *Authority*, which is derived from the exercise of any essential government function, is not subject to federal or state income taxes.

Use of Estimates: Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash equivalents represent short-term investment funds held by the *Authority's* trustee. The *Authority's* deposits are restricted according to the Series 2017 bond indenture. The cash equivalents held by the *Authority's* trustee are primarily money market mutual funds held in the bond trustee's name on the *Authority's* behalf. The *Authority* is authorized by the bond indenture to invest in repurchase and investment agreements, U.S. Treasury-based mutual funds, municipal obligations, certificates of deposit and general obligations of the U.S. Government and its agencies.

At June 30, 2019, cash and cash equivalents were:

Cash	\$ 35,801
Money market mutual funds	<u>1,371,396</u>
Total cash and cash equivalents	<u><u>\$ 1,407,197</u></u>

WASHINGTON COUNTY
CORRECTIONAL FACILITIES AUTHORITY

Notes to Financial Statements

June 30, 2019

(continued)

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging institution, or collateralized with securities held by the pledging institution's trust department or agency but not in the depositor-government's name. On January 4, 2016, the *Authority* adopted an investment policy which addressed custodial credit risk by pre-qualifying the financial institutions, broker/dealer, intermediaries, and advisors with which they do business. The *Authority's* cash is held by the County Treasurer. State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount, if any, insured by the FDIC. The *Authority's* money market mutual funds are subject to custodial credit risk. Investments in the money market mutual funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency, and not covered by pledged collateral. The money market funds held by the *Authority's* trustee are held in the bond trustee's name on the *Authority's* behalf. The weighted average maturities of the *Authority's* money market mutual funds were less than one year at June 30, 2019. Standard & Poor's credit ratings were AAA.

The bond indenture restricts the type of investments that the *Authority* may carry. Also, on January 4, 2016, the *Authority* adopted an investment policy that limits its investment choices, restricts its investment activities to authorized dealers and financial institutions, and limits the average portfolio maturity and individual security maturity. The *Authority* places no limit on the amount the *Authority* may invest in any one issuer.

WASHINGTON COUNTY
CORRECTIONAL FACILITIES AUTHORITY

Notes to Financial Statements

June 30, 2019

(continued)

NOTE C - CAPITAL ASSETS

The following is a summary of changes in capital assets during fiscal year 2019:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Transfers</u>	<u>June 30, 2019</u>
<u>Depreciable capital assets</u>				
Building and improvements	\$ 10,084,464	-	-	10,084,464
Software	326,157	-	-	326,157
Equipment	1,217,649	-	-	1,217,649
Total depreciable capital assets	<u>11,628,270</u>	<u>-</u>	<u>-</u>	<u>11,628,270</u>
<u>Less: accumulated depreciation</u>				
Building and improvements	1,429,058	252,239	-	1,681,297
Software	326,157	-	-	326,157
Equipment	792,291	85,072	-	877,363
Total accumulated depreciation	<u>2,547,506</u>	<u>337,311</u>	<u>-</u>	<u>2,884,817</u>
Total depreciable capital assets, net	<u>\$ 9,080,764</u>	<u>(337,311)</u>	<u>-</u>	<u>8,743,453</u>
<u>Nondepreciable capital assets:</u>				
Land	\$ 222,300	-	-	222,300
Total nondepreciable capital assets	<u>\$ 222,300</u>	<u>-</u>	<u>-</u>	<u>222,300</u>

There were no disposals during fiscal year 2019.

NOTE D - REVENUE BONDS PAYABLE

During fiscal year 2017, the *Authority* issued the 2017 Series Revenue Refunding Bonds in the principal amount of \$3,970,000 for the purpose of refunding the 2013 Series Revenue Bond Issue, funding a debt service reserve and to pay certain costs of issuance. The bonds are special limited obligations of the *Authority*, payable solely out of the revenue receipts and lease receivables pledged under the indentures. The bonds do not constitute a general obligation or indebtedness of Washington County or the *Authority*, nor do they constitute a debt or obligation of the State of Oklahoma, or any political subdivision, agency or instrumentality thereof and shall not constitute a lien on or pledge of any property of the *Authority* except as provided in the indenture. The *Authority* has no taxing powers.

WASHINGTON COUNTY
CORRECTIONAL FACILITIES AUTHORITY

Notes to Financial Statements

June 30, 2019

(continued)

NOTE D - REVENUE BONDS PAYABLE (continued)

Total pledged revenues in fiscal year 2019 were \$3,125,723. Debt service payments of \$1,259,500 were 40.29% of pledged revenues in fiscal year 2019.

The principal balance of the 2017 Series Revenue Refunding Bonds as of June 30, 2019 is \$2,029,500.

The following is a listing of bonds outstanding and related activity for the year ended June 30, 2019:

<u>Bond Issue</u>	<u>Maturity</u>	<u>Interest Rate at 6/30/2019</u>	<u>Principal Balance 6/30/2018</u>	<u>New Issuance</u>	<u>Retirement</u>	<u>Principal Balance 6/30/2019</u>
2017 Series Revenue Bond Issue	12/1/2019	1.75%	\$ 3,289,000	\$ -	\$ 1,259,500	\$ 2,029,500

Debt service requirements for fiscal years 2019 through 2020 for bonds payable as of June 30, 2019 are as follows:

<u>Fiscal Year</u>	2017 Series Revenue Refunding Bonds		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	<u>2,029,500</u>	<u>17,758</u>	<u>2,047,258</u>
	<u>\$ 2,029,500</u>	<u>17,758</u>	<u>2,047,258</u>

WASHINGTON COUNTY
CORRECTIONAL FACILITIES AUTHORITY

Notes to Financial Statements

June 30, 2019

(continued)

NOTE E - TRANSFERS

Upon written request from other Washington County Departments, the Washington County Budget Board has the authority to approve re-appropriation requests of the *Authority's* sales tax revenue given that the requests are allowed under the bond indenture, applicable statutes, as well as the sales tax proposition. For the year ended June 30, 2019, the Washington County Budget Board approved the following transfers of *Authority* sales tax revenue: transfers to the Washington County Sheriff's Department - \$1,315,983.

NOTE F - SUBSEQUENT EVENTS

We have evaluated all events subsequent to the balance sheet date of June 30, 2019 through the date the financial statements were available for issuance, November 25, 2019, and have determined that there are no subsequent events that require further recognition or disclosure.

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Certified Public Accountants

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INDEPENDENT AUDITOR’S 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

Board of Trustees

Washington County Correctional 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 governmental activities and the major fund information of *Washington County Correctional Facilities Authority* (the “*Authority*”), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the *Authority*’s basic financial statements, and have issued our report thereon dated November 25, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *Authority's* financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stotts, Archambo, Mueggenborg & Barclay, PC

Stotts, Archambo, Mueggenborg & Barclay, PC
Certified Public Accountants
Bartlesville, OK

November 25, 2019