

**FANNIN COUNTY PUBLIC
FACILITY CORPORATION**

**Financial Statements
(with Independent Auditor's Report thereon)**

YEAR ENDED SEPTEMBER 30, 2023

FANNIN COUNTY PUBLIC FACILITY CORPORATION
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September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fannin County Public Facility Corporation
Bonham, TX

Opinion

We have audited the accompanying financial statements of Fannin County Public Facility Corporation (Corporation), a non-profit organization, which comprise the statement of financial position as of September 30, 2023, and the related statements of activities and functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fannin County Public Facility Corporation as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Fannin County Public Facility Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 Fannin County Public Facility Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities 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 opinion.

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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Fannin County Public Facility Corporation '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 Fannin County Public Facility Corporation '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.

Acker & Company

ACKER & COMPANY
Certified Public Accountants, PC
Tyler, Texas
April 26, 2024

FANNIN COUNTY PUBLIC FACILITY CORPORATION
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023

ASSETS

Current Assets:	
Cash and Investments	\$ 3,325,658
Accounts Receivable	1,776,814
Total Current Assets	5,102,472
Restricted Assets:	
Restricted for Operating Fund	348,720
Restricted - Surplus	1,580,747
Restricted to Comply with Reserve Covenants	2,777,829
Total Restricted Assets	4,707,296
Other Non-Current Assets:	
Buildings and Improvements, Net of Depreciation \$7,963,470	14,695,384
Total Assets	\$ 24,505,152

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 4,053,899
Bonds Payable - Current Part (Note 5)	1,010,000
Accrued Interest	877,089
Other	-
Total Current Liabilities	5,940,988
Non-Current Liabilities:	
Bonds Payable (Note 5)	25,205,000
Capitalized Bond and Other Debt Issuance Cost, Net of Amortization of \$722,501	(1,329,538)
Less Current Part	(1,010,000)
Total Long-Term Liabilities	22,865,462
Total Liabilities	28,806,450

NET ASSETS

Without Donor Restrictions	(4,301,298)
Total Liabilities and Net Assets	\$ 24,505,152

See accompanying notes to financial statements.

FANNIN COUNTY PUBLIC FACILITY CORPORATION
STATEMENT OF ACTIVITIES AND FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Revenues:

Federal Inmate Revenue		
USMS-E	15,226,678	
USMS-N	26,212	
Transport USMS-E	331,847	
Transport USMS-N	8,365	
		15,593,102
County Inmate Revenue		
FCMJ	872,419	
FCSA	1,447,232	
Transport and Other	30,297	
		2,349,948
Interest Revenue		184,836
		18,127,886

Program Costs:

Operating Fees	13,188,018	
Operator Facility Renovation	1,460,745	
Depreciation	583,471	
Repairs and Maintenance	15,600	
		15,247,834

Management and General

Administrative Fees	407,142	
Legal Fees	51,700	
Audit and Accounting Fees	15,900	
Trust Fees	7,920	
Amortization	71,696	
Interest Expense	1,754,178	
		2,308,536

Increase in Net Assets Without Donor Restrictions 571,516

Net Assets Without Donor Restrictions at Beginning of Period (4,872,814)

Net Assets Without Donor Restrictions at End of Period (September 30, 2023) \$ (4,301,298)

See accompanying notes to financial statements.

FANNIN COUNTY PUBLIC FACILITY CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ 571,516
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	583,471
Amortization	71,696
(Increase) Decrease in Operating Assets:	
Accounts Receivable	1,570,472
Increase (Decrease) in Operating Liabilities:	
Interest Payable	(28,652)
Accounts Payable	1,034,950
	<u>3,803,453</u>
Net Cash Provided (Used) by Operating Activities	<u>3,803,453</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital Additions	<u>(63,456)</u>
Net Cash Provided (Used) by Investing Activities	<u>(63,456)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on Bonds	<u>(955,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>(955,000)</u>
Net Increase (Decrease) in Cash and Investments	2,784,997
Cash and Investments - Beginning of the Year	<u>5,247,957</u>
Cash and Investments - End of the Year	<u>\$ 8,032,954</u>
Supplemental Information:	
Interest Paid During the Year	<u>\$ 1,782,828</u>

See accompanying notes to financial statements.

FANNIN COUNTY PUBLIC FACILITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Nature of Activities and Significant Accounting Policies

(a) Nature of Activities

Fannin County Public Facility Corporation (the Corporation) was formed on April 28, 2008 for the purpose of acting on behalf of Fannin County, Texas to finance, refinance or provide the costs of public facilities of the County pursuant to the provisions of the *Texas Public Facility Corporation Act*, Chapter 202 of the Local Government Code. The Corporation is authorized to issue bonds on behalf of the County for the purposes of Section 102, Internal Revenue Code of 1986, as amended. The Corporation is supported primarily through investment earnings and revenues received from imprisoning and housing inmates.

(b) 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.

(c) Property and Equipment

It is the Corporation's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Property and equipment are depreciated using the straight-line method, with lives ranging from 7 to 40 years.

(d) Financial Statement Presentation

The Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- a. Net Assets Without Donor Restrictions – Net assets not subjected to donor imposed stipulations. Although unrestricted, certain cash funds are restricted to use by bond covenants.
- b. Net Assets with Donor Restrictions – Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Corporation and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Corporation typically receives no contributions and has no net assets with donor restrictions.

(e) Income Taxes

The Corporation is a public corporation, constituted authority and authorized to issue bonds on behalf of Fannin County for the purposes of Section 103 of the Internal Revenue Code. As such it is exempt from income taxes.

FANNIN COUNTY PUBLIC FACILITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

(f) Cash and Investments

For the purpose of the statements of cash flows, the Corporation considers highly liquid investments available for current use with an initial maturity of three months or less to be cash and investments. All cash and investments are included in the statement of cash flows whether restricted by debt covenant or not.

(g) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investments, income, and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

(h) Accounts Receivable

The Corporation allows for estimated losses on accounts receivable based on prior bad debt experience and a review of existing receivables. Based on these factors, no allowance for doubtful accounts is considered necessary for the year ended September 30, 2023.

Note 2 – Restrictions of Net Assets

The Corporation did not report any net assets with donor restrictions at September 30, 2023.

Note 3 – Concentration of Credit Risk

The Corporation maintains all of its marketable securities of \$8,032,954 in deposit accounts at a single banking institution. The Corporation believes the institution to be high quality and risk of loss is minimal.

Note 4 – Marketable Securities

The Corporation maintained investments in Government obligation mutual funds during the year. These investments are stated at fair values based on quoted market prices (Level 1 measurements). Fair values and unrealized appreciation at September 30, 2023 for the Corporation's marketable securities are as follows:

Description	Maturity Date	Cost	Fair Value	Unrealized Gain (Loss)
Level 1 Measurements:				
First American Government Obligation Fund:				
Fund CI D 31846V401	N/A	\$ 8,032,954	\$ 8,032,954	\$ -

FANNIN COUNTY PUBLIC FACILITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 5 – Long-Term Obligations

Bonds

In 2008, the Corporation issued “Fannin County Public Facility Corporation Project Revenue Bonds, Series 2008,” (2008 Bonds) totaling \$30,780,000. The proceeds from the bond issuance were used to construct a detention facility for Fannin County. The bonds required annual principal payments with semi-annual interest payments with an average interest cost over the life of the bonds of approximately 7.88%. The bonds were to fully mature in 2033. The bonds had issuance costs of \$2,289,634 which was being amortized over the life of the bonds on a straight line basis. During 2014, the Corporation issued \$31,390,000 of Fannin County Public Facility Corporation Senior Lien Revenue Refunding Bonds Taxable Series (2014 Bonds) to refund the 2008 Bonds in total. In conjunction with refunding the bonds, the Corporation reported the unamortized portion of the issuance cost (\$1,692,339) as expense in 2014.

In issuing the 2014 Bonds the Corporation incurred issuance costs of \$2,052,039 including original issue discount of \$778,317 underwriter discount of \$831,835 and issuance costs of \$441,887. The issuance costs are being amortized over the life of the bonds using the interest method.

The 2014 bonds require annual principal payments with semi-annual interest payments ranging from 2.95% to 7.1% with an average interest cost over the life of the bonds of approximately 6.8%. The bonds will fully mature in 2036. Bonded debt outstanding as of September 30, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Fannin County Public Facility Corporation Senior Lien Revenue Refunding Bonds Taxable - Series 2014	\$ 26,160,000	\$ -	\$ 955,000	\$ 25,205,000	\$ 1,010,000
Totals	<u>\$ 26,160,000</u>	<u>\$ -</u>	<u>\$ 955,000</u>	<u>\$ 25,205,000</u>	<u>\$ 1,010,000</u>

Maturity requirements on bonded debt at September 30, 2023 are as follows:

<u>Periods Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2024	1,010,000	1,722,867	2,732,867
2025	1,075,000	1,657,426	2,732,426
2026	1,140,000	1,583,965	2,723,965
2027	1,220,000	1,502,545	2,722,545
2028	1,305,000	1,415,433	2,720,433
2029-2033	8,010,000	5,537,043	13,547,043
2034-2036	11,445,000	1,972,913	13,417,913
Totals	<u>\$ 25,205,000</u>	<u>\$ 15,392,192</u>	<u>\$ 40,597,192</u>

FANNIN COUNTY PUBLIC FACILITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 5 – Long-Term Obligations (continued)

Bond Covenant Requirements/Restrictions

In accordance with bond covenants set forth in the issuance agreements, the Corporation is required to maintain a Reserve Fund of \$2,777,829.

In addition, the Corporation is required to maintain a Revenue/Repair/Contingency fund, a surplus account from which disbursements are restricted, and a Bond Fund with deposits sufficient enough to pay maturing principal and interest payments during the year.

Note 6 – Property and Equipment

Property and equipment activities during the period ended September 30, 2023 were as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Buildings, Vehicles, & Improvements	\$ 22,595,398	\$ 63,456	\$ -	\$ 22,658,854
Totals at Historical Cost	<u>22,595,398</u>	<u>63,456</u>	<u>-</u>	<u>22,658,854</u>
Less Accumulated Depreciation for: Buildings, Vehicles, & Improvements	7,379,999	583,471	-	7,963,470
Total Accumulated Depreciation	<u>7,379,999</u>	<u>583,471</u>	<u>-</u>	<u>7,963,470</u>
Property and Equipment, Net	<u>\$ 15,215,399</u>	<u>\$ (520,015)</u>	<u>\$ -</u>	<u>\$ 14,695,384</u>

Note 7 – Investments and Earnings

Investments earnings earned by the Corporation during the period consisted of interest earned on Government Obligations maintained by the Corporation during the period. Investments earnings received by the Corporation during the period consisted of the following:

Interest Income \$ 184,836

Note 8 – Subsequent Events

The Corporation's management has evaluated subsequent events including effects of Covid 19 through April 26, 2024 the date which the financial statements were available for issue.

In May 2023, the WHO declared that COVID-19 was no longer a global health emergency.

FANNIN COUNTY PUBLIC FACILITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 9 – Concentrations/Related Party

The Corporation contracts with the U.S. Government and Fannin County to provide incarceration services for a daily fee. This limited pool of customers constitutes a concentration risk. The Corporation has in place long term contracts to mitigate the concentration risk as well as limited competitors in the area to challenge these concentrations. All accounts receivable are from the U.S. Government and Fannin County. The County Judge of Fannin County is chairman of the board of directors of the Corporation. Additionally, the Fannin County auditor provides certain administrative functions without charge.

Note 10 – Recently Adopted Accounting Standards

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) and (ASU) No 2014-05 Revenue from Contracts with Customers (Topic 606) as management believes the standards improve the usefulness and understandability of the Organization's financial reporting.

The Corporation recognizes income based on days of incarceration services provided. Thus, analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Note 11 – Availability and Liquidity

The Corporation closely monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. It has various sources of liquidity at its disposal, including cash and cash equivalents.

In addition to financial assets available to meet general expenditures over the next twelve months, the Corporation anticipates collecting sufficient revenue to cover general expenditures.

The following represents the Corporation's financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end:	
Cash and Cash Equivalents	\$8,032,954
Accounts Receivable	<u>1,776,814</u>
Total financial assets	9,809,768
Less amounts not available to be used within one year:	
Net assets restricted by bonds	4,707,296
Current liabilities	<u>4,053,899</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$1,048,573</u></u>