

# **Tobacco Settlement Endowment Trust Fund**

*The Auditors' Communication with  
Those Charged with Governance*

June 30, 2025

September 30, 2025

Board of Directors and Board of Investors  
Tobacco Settlement Endowment Trust Fund

We have audited the financial statements of the governmental activities and permanent fund of the Tobacco Settlement Endowment Trust Fund (the “Fund”) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated November 15, 2024. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Fund are described in Note 1 to the financial statements. As discussed below, the Fund adopted new accounting policies during the year ended June 30, 2025. There were no changes to existing accounting policies during the year ended June 30, 2025. We noted no transactions entered into by the Fund during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 enhances information for user of the financial statements by updating the recognition and measurement guidance for compensated absences. GASB 101 aligns the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged. The Fund adopted GASB 101 as of July 1, 2024, which did not have a significant effect on the financial statements.

**Significant Audit Matters, Continued**

*Qualitative Aspects of Accounting Practices, Continued*

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures* (GASB 102). GASB 102 requires certain disclosures about risks related to a government's vulnerabilities due to certain concentrations or constraints which may limit a government's ability to acquire resources or control spending. GASB 102 requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The requirements of GASB 102 are effective for fiscal years beginning after June 15, 2024. The Fund adopted GASB 102 as of July 1, 2024, which did not have a significant effect on the financial statements.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements* (GASB 103). GASB 103 enhances and improves the quality of the analysis of changes from the prior year, which in turn enhances the relevance of that information. The requirements of this statement apply to managements' discussion and analysis presented as required supplementary information, presentation of the proprietary information fund statements of revenues, expenses, and changes in fund position, major component unit information, budgetary comparison information, as well as a discussion of unusual or infrequent items. The requirements of GASB 103 are effective for fiscal years beginning after June 15, 2025. The adoption of GASB 103 by the Fund is not expected to have a significant effect on the financial statements.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104). The objective of GASB 104 is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement apply to managements' discussion and analysis presented as required supplementary information. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures by major asset class. This Statement also requires additional disclosures for capital assets held for sale. The requirements of GASB 104 are effective for fiscal years beginning after June 15, 2025. The adoption of GASB 104 by the Fund is not expected to have a significant effect on the financial statements.

### **Significant Audit Matters, Continued**

#### *Qualitative Aspects of Accounting Practices, Continued*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the estimate of the fair value of investments was:

Management's estimate of the fair value of investments is based on the investment custodian. We evaluated the key factors and assumptions used to develop the estimate of the fair value of the investments in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Significant Audit Matters, Continued**

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 30, 2025.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Fund’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Matters or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Fund’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the management's discussion and analysis at I-1 to I-15 and the pension and OPEB schedules on pages 74 to 78, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### **Operating and Administrative Expenses**

The Fund is limited to having annual operating and administrative expenses of no more than 15% of certified earnings. We performed testwork on the operating and administrative expenses for the year ended June 30, 2025, and determined that operating and administrative expenses were approximately 1.95% of certified earnings, and therefore the Fund was determined to be in compliance with the 15% limitation.

**Other Required Communications**

We as independent auditors are required to:

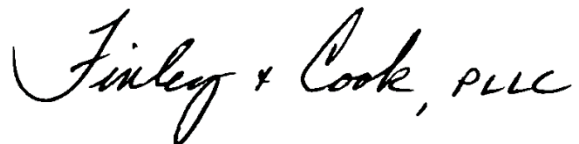
- a. Communicate significant deficiencies and material weaknesses in internal control to the audit committee or its equivalent.
- b. Report directly to the audit committee (or equivalent) any fraud that causes a material misstatement of the financial statements and any fraud involving senior management. Fraud perpetrated by lower-level employees is also reported if it resulted in an individually significant misstatement.
- c. Report illegal acts that come to our attention (except those that are clearly inconsequential).

We have nothing to report.

**Restriction on Use**

This information is intended solely for the use of the Board of Directors, the Board of Investors, management of the Fund, and the State of Oklahoma and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Finley & Cook, PLLC". The signature is written in a cursive, flowing style.

**TOBACCO SETTLEMENT ENDOWMENT TRUST FUND**

**SUMMARY OF UNCORRECTED MISSTATEMENTS**

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*June 30, 2025*

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**None.**