

Northeast Oklahoma Public Facilities Authority

Annual Financial Statements
with Independent Auditors' Report

June 30, 2021



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

**NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

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INDEPENDENT AUDITORS' REPORT



**HINKLE &
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Independent Auditors' Report on Financial Statements

Board of Trustees
Northeast Oklahoma Public Facilities Authority
Tahlequah, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Northeast Oklahoma Public Facilities Authority (the Authority) as of and for the year ended June 30, 2021, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in 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 from 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 auditors' 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.

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

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position of the Northeast Oklahoma Public Facilities Authority as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements of the Northeast Oklahoma Public Facilities Authority, taken as a whole. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental schedules, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules, as listed in the table of contents, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021 on our consideration of the Authority's internal control over financial reporting and 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 result of that testing and not to provide an opinion on the internal control over financial reporting or 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.

Hick & Company, PC

Tulsa, Oklahoma
December 13, 2021



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MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
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The discussion and analysis of Northeast Oklahoma Gas Authority's ("NOPFA") financial performance provides an overview and analysis of the Authority's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the following parts: Management's Discussion and Analysis and Basic Financial Statements. The financial statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Authority report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position includes information on the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The Statement of Revenue, Expenses and Changes in Net Position identifies the Authority's revenues and expenses for the fiscal year ended June 30, 2021. This statement provides information on the Authority's operations over the past fiscal year and can be used to determine whether the Authority has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the Authority's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. The net result of these activities added to the beginning of the year cash balance total to the cash equivalent balance at the end of the current calendar year.

CONDENSED FINANCIAL INFORMATION

Condensed financial information from the Statement of Net Position as of June 30, 2021 and 2020, as well as the Statement of Revenues, Expenses and Changes in Net Position for the years then ended are as follows:

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Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position

Table 1
Net Position
June 30, 2021

	2021	2020	% Inc. (Dec.)
Current assets	\$ 19,736,306	\$ 16,392,028	20%
Noncurrent assets			
Capital assets, net of depreciation	9,819,113	10,068,205	-2%
Other assets	802,592	757,702	6%
Total assets	30,358,011	27,217,935	12%
Current liabilities	3,937,728	249,935	1476%
Noncurrent liabilities	1,204,998	1,156,214	4%
Total liabilities	5,142,726	1,406,149	266%
Net position			
Net investment in capital assets	9,819,113	10,068,205	-2%
Unrestricted	15,396,172	15,743,581	-2%
Total net position	\$ 25,215,285	\$ 25,811,786	-2%

Significant balances for the NOPFA for the operations during fiscal year 2021 consisted of cash balances, capital assets, and current liabilities.

At year ended June 30, 2021 the NOPFA ended the year with unrestricted cash and investment balances of \$12,397,067 and \$6,099,185.

NOPFA also had capital assets recorded net of accumulated depreciation of \$9,819,113.

NOPFA also incurred \$1,210,658 of amounts due to depositors which represents the significant portion of total liabilities of NOPFA. As a result of the amounts due to depositors, NOPFA had restricted cash and cash equivalents and investments of \$1,210,658.

Current liabilities increased by 1476% or \$3,687,793 due to NOPFA obtaining a short-term note payable with a year-end balance of \$3,669,650. The note payable was obtained in order to pay amounts due to third-party supplier of natural gas. This increase is primarily a result of abnormal weather conditions and market demands on the region resulting in the system's increase use of supply and increasing market prices driven by demand.

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**Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position
(Continued)**

Table 2 is prepared from NOPFA's Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2021.

Table 2
Change in Net Position
For the Year Ended June 30, 2021

	2021	2020	% Inc. (Dec.)
Operating revenues and expenses			
Operating revenues	\$ 15,659,104	\$ 10,048,461	56%
Less operating expenses	(16,080,846)	(9,079,833)	77%
Net operating revenues	<u>(421,742)</u>	<u>968,628</u>	-144%
Nonoperating revenues (expenses)	<u>225,241</u>	<u>369,578</u>	-39%
Income before special item	(196,501)	1,338,206	-115%
Special Item	<u>(400,000)</u>	<u>(320,000)</u>	25%
Increase in net position	<u>\$ (596,501)</u>	<u>\$ 1,018,206</u>	159%

Revenues

The most significant revenue source of NOPFA is related to the sale of gas to customers of the Authority, and these revenues comprise 98.7% of the operating revenues and 97.3% of total revenues for fiscal year 2021.

For the fiscal year 2021, NOPFA saw an increase in the revenue generated from the sale of gas of 59.2%. This increase results from two primary factors: the change in the cost of supply to the Authority and an increase of supply purchased due to an abnormal weather event on the region. The increase demand exceed contracted prices for supply and resulted in NOPFA purchasing supply at adjusted market rates due to exceeding this contractual limits. This cost is passed on to the consumer, and thus a increase during the fiscal year would increase revenue.

Expenses

The most significant expenses of NOPFA, for fiscal year 2021, are the purchase of gas and transportation costs, with these expenses comprising 77.1% of operation expenses and 75.2% of total expenses for fiscal year 2021. The expense associated with the purchase of gas and transportation cost has a direct correlation to the revenue from the sale of gas to customers.

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Capital Assets and Debt Administration

For 2021, NOPFA recorded a total of \$21,985,818 in capital assets and \$12,166,705 in accumulated depreciation. During the year ended June 30, 2021, the NOPFA had an increase in the gas distribution system of \$115,277, which comprise much of the significant additions for the fiscal year.

At June 30, 2021, NOPFA had an obligation of \$230,814 for accrued compensated absences accrued by employees. NOPFA also reported a direct borrowing of \$3,669,650 for fiscal year end, of which the remaining balance is due within one-year.

Table 3
Capital Assets, Net
June 30, 2021

	2021	2020	Change
Capital Assets	\$ 21,985,818	\$ 21,725,692	\$ 260,126
Less accumulated depreciation	(12,166,705)	(11,657,487)	(509,218)
Capital assets, net	\$ 9,819,113	\$ 10,068,205	\$ (249,092)

Further detailed information can be obtained in the notes to the financial statements (Note 1 & 4)

Table 4
Long-Term Liabilities
June 30, 2021

	2021	2020	Change
Notes Payable (short-term)	\$ 3,669,650	\$ -	\$ 3,669,650
Accrued compensated absences	230,814	223,025	7,789
Total long-term & short-term liabilities	\$ 3,900,464	\$ 223,025	\$ 3,677,439

Further detailed information can be obtained in the notes to the financial statements (Note 1 & 5)

Economic Factors and NOPFA's Future

NOPFA's Board considers many factors when setting the budget. Among these factors are the following:

- Cash flow to cover operating expenses.
- Forecasted cost of natural gas.
- Age of and operating condition of capital assets.
- Reserves required for future capital expansion, upgrades and replacements.

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Contacting NOPFA's Financial Management

This financial report is designed to provide users, including customers and creditors with a general overview of NOPFA's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the General Manager of the Northeast Oklahoma Public Facilities Authority, 103 North College Avenue, Tahlequah, Oklahoma. 74434 or telephone us at (918) 456-6268.

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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
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Proprietary Fund Statement of Net Position - June 30, 2021

ASSETS

Current assets:	
Cash and cash equivalents	\$ 12,397,067
Investments	6,099,185
Restricted:	
Cash and cash equivalents	121,066
Investments	287,000
Accounts receivable, net	515,390
Interest receivable	3,255
Inventory	279,942
Prepaid expenses	33,401
Total current assets	<u>19,736,306</u>
Non-current assets:	
Restricted:	
Cash and cash equivalents	705,092
Investments	97,500
Capital assets:	
Land and construction in progress	161,643
Other capital assets, net of accumulated depreciation	9,657,470
Total non-current assets	<u>10,621,705</u>
Total assets	<u><u>\$ 30,358,011</u></u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 16,601
Unearned revenue	15,003
Due to depositors	121,066
Notes payable	3,669,650
Compensated absences	115,408
Total current liabilities	<u>3,937,728</u>
Non-current liabilities:	
Due to depositors	1,089,592
Accrued compensated absences	115,406
Total non-current liabilities	<u>1,204,998</u>
Total liabilities	<u><u>5,142,726</u></u>

NET POSITION

Net investment in capital assets	9,819,113
Unrestricted	15,396,172
Total net position	<u><u>\$ 25,215,285</u></u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2021

OPERATING REVENUES

Charges for services:	
Charges for Services - Gas	\$ 15,457,779
Penalties	66,487
Installations and reconnects	134,099
Miscellaneous	739
Total operating revenues	<u>15,659,104</u>

OPERATING EXPENSES

Cost of sales - gas purchases and transportation	4,925,157
Cost of sales - gas crisis purchase	7,476,186
CNG expense	55,934
Salaries and wages	1,767,385
Payroll taxes & benefits	399,193
Contracted services	84,593
Administrative	64,782
Maintenance and repairs	39,765
Insurance	286,006
Truck expenses	32,231
Office supplies and expenses	98,463
Dues and pipeline assessment	76,292
Telephone and utilities	62,988
Supplies	96,564
Miscellaneous	106,089
Depreciation expense	509,218
Total operating expenses	<u>16,080,846</u>
Operating income (loss)	<u>(421,742)</u>

NON-OPERATING REVENUES (EXPENSES)

Investment income	231,269
Interest expense	(6,028)
Total non-operating revenue	<u>225,241</u>
Income (loss) before special item	<u>(196,501)</u>
Special item - Distributions	(400,000)
Change in net position	(596,501)
Total net position - beginning	<u>25,811,786</u>
Total net position - ending	<u>\$ 25,215,285</u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Cash Flows - Year Ended June 30, 2021

	Totals
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 15,511,336
Payments to suppliers	(13,407,646)
Payments to beneficiaries	(400,000)
Payments to employees	(2,158,789)
Receipts of customer deposits	322,055
Refunds of customer meter deposits	(272,178)
Receipts (payments) from other funds	-
Net cash provided by (used in) operating activities	(405,222)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other accounts	942,530
Transfers to other accounts	(942,530)
Net cash provided by (used in) noncapital financing activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(260,126)
Principal paid on debt	(330,550)
Proceeds from note payable	4,000,200
Interest and fiscal agent fees paid on debt	(6,028)
Net cash provided by (used in) capital and related financing activities	3,403,496
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (Purchase) of investments	(92,566)
Interest and dividends	235,024
Net cash provided by investing activities	142,458
Net increase in cash and cash equivalents	3,140,732
Balances - beginning of year	10,082,493
Balances - end of year	\$ 13,223,225
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 12,397,067
Restricted cash and cash equivalents - current	121,066
Restricted cash and cash equivalents - noncurrent	705,092
Total cash and cash equivalents, end of year	\$ 13,223,225
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (421,742)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Special Item - Distributions	(400,000)
Depreciation expense	509,218
Change in assets and liabilities:	
Unearned revenue	2,368
Accounts receivable	(150,136)
Interfund	4,455
Inventory	(4,838)
Accounts payable	2,437
Prepaid expense	(4,650)
Deposits subject to refund	49,877
Accrued compensated absences	7,789
Net cash provided by (used in) operating activities	\$ (405,222)

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Northeast Oklahoma Public Facilities Authority ("NOPFA") was created as a public trust in the State of Oklahoma on April 22, 1958, to establish and operate public utility facilities for the public health and welfare in Northeast Oklahoma. On March 25, 1960, NOPFA entered into a franchise agreement with the Tahlequah Public Works Authority of Tahlequah, Oklahoma to establish and operate a natural gas utility system. On November 10, 1972, the NOPFA entered into franchise agreements with the Municipal Authority of Stilwell and Town of Westville for the establishment and operation of a natural gas utility system in their areas.

NOPFA operations include the Tahlequah Gas System Account, the Stilwell/Westville Gas System Account, and the Administrative Account. Both the Tahlequah Gas System and the Stilwell/Westville Gas System have as their purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control, and regulate gas utility facilities within and without the corporate boundaries of the Cities of Tahlequah and Stilwell, and the Town of Westville.

B. Basis of Presentation and Accounting

The NOPFA utilizes the proprietary fund method of accounting and accounts for the activities of the public trust in providing natural gas and compressed natural gas to the public.

For purposes of the statement of revenues, expenses and changes in net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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D. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except interest earning investment contracts with an initial maturity of more than three months. Those investments are reported at a cost-based measure.

Receivables

Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- Buildings	10-30 years
- Machinery and Equipment	5-10 years
- Utility System & Improvements	50 years
- Vehicles	5 years

Inventories

Inventories consist of parts and supplies used in construction and maintenance of the gas utility systems. Inventories are recorded at cost and charged to expense when used.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts and utility meter deposits.

Long-Term Debt

All long-term debts are reported as liabilities in the proprietary statements. The long-term debt consists of accrued compensated absences.

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Compensated Absences

The NOPFA's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation leave. Upon termination an employee is paid for the accumulated balance of both vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the financial statements. The current portion of this debt is estimated based on historical trends. Proprietary funds report the liability as it is incurred.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted.”

It is the NOPFA’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

Expenses are classified by Operating and Non-Operating. Proprietary funds report expenses relating to use of economic resources.

F. 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.

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2. Cash, Cash Equivalents, and Investments

At June 30, 2021, NOPFA held the following deposits and investments:

<u>Type of Deposit and Investment</u>	<u>Carrying Value</u>
Deposits:	
Demand	\$ 13,223,225
Non-negotiable Certificate of Deposits	6,483,685
Total Deposits and Investments	<u>\$ 19,706,910</u>

Reconciliation to Statement of Net Position:

Current assets:	
Cash and cash equivalents	\$ 12,397,067
Investments	6,099,185
Restricted:	
Cash and cash equivalents	121,066
Investments	287,000
Restricted:	
Cash and cash equivalents	705,092
Investments	97,500
	<u>\$ 19,706,910</u>

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the NOPFA holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the NOPFA’s name: or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the NOPFA holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the NOPFA’s name.

NOPFA does not have a deposit policy for custodial credit risk. As of June 30, 2021, NOPFA's bank balance of \$19,706,910 was not exposed to custodial credit risk as the amounts were insured and collateralized.

The NOPFA investment choices are limited by state law as follows:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

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e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

Investments at June 30, 2021 consisted of non-negotiable certificates of deposit (interest-earning investment contracts) and where not subject to interest rate, credit, concentration of credit, or foreign currency risk.

Restricted Cash and Investments – The amounts reported as restricted assets of the Statement of Net Position are comprised of amounts restricted for refundable deposits. The restricted assets as of June 30, 2021 are as follows:

	Current		Noncurrent	
	Cash and cash equivalents	Investments	Cash and cash equivalents	Investments
Meter deposits	\$ 121,066	\$ 287,000	\$ 705,092	\$ 97,500
Total	\$ 121,066	\$ 287,000	\$ 705,092	\$ 97,500

3. Accounts Receivable

Accounts Receivable - Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts.

	Accounts Receivable	Less: Allowance For Uncollectible Accounts	Net Accounts Receivable
Accounts Receivable	\$ 556,546	\$ (41,156)	\$ 515,390

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

For the year ended June 30, 2021, capital assets balances changed as follows:

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	Balance at June 30, 2020	<u>Additions</u>	<u>Disposals</u>	Balance at June 30, 2021
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in Progress	138,467	13,176	-	151,643
Total capital assets not being depreciated	<u>148,467</u>	<u>13,176</u>	<u>-</u>	<u>161,643</u>
Other capital assets:				
Buildings and improvements	1,567,190	-	-	1,567,190
CNG Stations and slow fills	2,512,880	-	-	2,512,880
Gas Distribution System	15,120,901	115,277	-	15,236,178
Equipment	1,259,453	103,348	-	1,362,801
Vehicles	1,116,801	28,325	-	1,145,126
Total other capital assets	<u>21,577,225</u>	<u>246,950</u>	<u>-</u>	<u>21,824,175</u>
Less accumulated depreciation for:				
Accumulated Depreciation				
Buildings and improvements	(947,992)	(62,503)	-	(1,010,495)
CNG Stations and slow fills	(389,560)	(47,130)	-	(436,690)
Gas Distribution System	(8,269,532)	(292,616)	-	(8,562,148)
Equipment	(1,134,143)	(29,259)	-	(1,163,402)
Vehicles	(916,260)	(77,710)	-	(993,970)
Total accumulated depreciation	<u>(11,657,487)</u>	<u>(509,218)</u>	<u>-</u>	<u>(12,166,705)</u>
Other capital assets, net	9,919,738	(262,268)	-	9,657,470
Total capital assets, net	<u>\$ 10,068,205</u>	<u>\$ (249,092)</u>	<u>\$ -</u>	<u>\$ 9,819,113</u>

5. Debt and Debt Service Requirements

For the year ended June 30, 2021, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance</u> <u>6/30/20</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/21</u>	<u>Due Within</u> <u>One Year</u>
Notes Payable - Direct Borrowing	\$ -	\$ 4,000,199	\$ 330,549	\$ 3,669,650	\$3,669,650
Accrued compensated absences	223,025	191,493	183,704	230,814	115,408
Total Long-Term Debt	<u>\$ 223,025</u>	<u>\$ 4,191,692</u>	<u>\$ 514,253</u>	<u>\$ 3,900,464</u>	<u>\$3,785,058</u>

Accrued compensated absences:

Current portion	\$ 115,408
Noncurrent portion	115,406
Total Accrued Compensated Absences	<u>\$ 230,814</u>

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Short-term Notes Payable –

The authority obtained through a direct borrowing \$4,000,199 with a settlement date of May 17, 2022. The note was obtained due to the increased contract prices for gas supply that resulted from the abnormal winter and supply constraints that resulted from the increased demand on the supply system. The note bears an interest rate of 1.75%. The agreement provides for NOPFA to make specified monthly payments of \$336,577 over the respective terms of the agreement, which is through May 17, 2022. In the event of default, the lender may accelerate the payment of principal and interest accrued on the note for full payment of amounts due. The authority pledged two certificate of deposits for a total amount pledged of \$4,234,446 as collateral for the note.

6. Net Position

Net position is displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the NOPFA’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

For fiscal year 2021 NOPFA did not report any restricted net position.

7. Risk Management

NOPFA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. NOPFA has insurance for the major risks such as property, general liability, workers' compensation, and unemployment. Commercial insurance is used to cover general liability claims and the risk of loss to Authority buildings and mobile equipment.

8. Commitments and Contingencies

Litigation:

The NOPFA is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Authority and

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the State statute relating to judgments, the Authority feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Authority.

Contracts:

Gas purchase contract - NOPFA has a gas purchase contract with Clearwater Enterprises, LLC for monthly fixed price volumes through December 2023 to purchase 50% of its estimated needs at an average of \$3.43 per MMBtus and the remaining 50% at the daily gas price. The total remaining commitment at June 30, 2021 was 1,680,000 MMBtus.

9. Pension Plan Participation

On January 1, 1973, NOPFA established a Target Benefit Pension Plan (a defined contribution plan) for the accumulation of the employer's contribution of retirement benefits. On January 1, 2011, the plan was amended and converted to a non-standardized Money Purchase Plan. Employees become eligible to receive contributions made on their behalf upon completion of six months of full-time employment. Vesting occurs upon the employee attaining normal retirement age (the later of the date the participant reaches age 65 or the 5th anniversary of the first day of the Plan Year in which the participant began participation in the Plan), or early retirement age (the later of the date the participant reaches age 55 or the date a participant reaches his or her 10th anniversary of the first day of the Plan Year in which the participant began participation in the Plan).

Benefit terms including contribution requirements, for NOPFA are established and may be amended by the Board. For each employee in the plan, the Authority is required to contribute 5 percent of eligible employee's gross wages. Contributions in the amount of \$22,469 for Administration, \$42,131 for Tahlequah, and \$20,178 for Stilwell were made by NOPFA and recognized as pension expense.

In addition to the Defined Contribution Plan described above, NOPFA has also established a Section 457 Retirement Plan for accumulation of all full-time employee contributions to their retirement plan. Under this Plan, the employee's actual retirement benefit will depend on the amount of their account balances at the time of retirement. The account balances will reflect the employee's deferred contributions over the period of time the employee participates in the Plan and their success in investing and re-investing the assets of their accounts.

During fiscal year ended June 30, 2021, contributions in the amount of \$23,261 for Administration, \$39,240 for Tahlequah and \$22,684 for Stilwell were made by the employees, while \$21,477 for Administration, \$39,240 for Tahlequah and \$21,477 for Stilwell were made by NOPFA and recognized as pension expense.

10. Subsequent Events

Subsequent events have been evaluated through December 13, 2021, which is the date the financial statements were issued.

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OTHER SUPPLEMENTARY INFORMATION

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Combining Schedule of Net Position – Enterprise Fund Accounts – June 30, 2021

	Tahlequah Gas System	Administrative Account	Stilwell- Westville Gas System	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,485,327	\$ 347,128	\$ 4,564,612	\$ 12,397,067
Investments	4,158,275	-	1,940,910	6,099,185
Restricted:				
Cash and cash equivalents	-	-	121,066	121,066
Investments	287,000	-	-	287,000
Due from other funds	611,546	-	-	611,546
Accounts receivable, net	383,547	-	131,843	515,390
Interest receivable	2,214	-	1,041	3,255
Inventories	203,744	-	76,198	279,942
Prepaid expenses	15,926	7,964	9,511	33,401
Total current assets	<u>13,147,579</u>	<u>355,092</u>	<u>6,845,181</u>	<u>20,347,852</u>
Non-current assets:				
Restricted:				
Cash and cash equivalents	-	-	705,092	705,092
Investments	-	-	97,500	97,500
Capital Assets:				
Land and construction in progress	161,643	-	-	161,643
Other capital assets, net of accumulated depreciation	6,510,016	57,605	3,089,849	9,657,470
Unamortized note issue costs	-	-	-	-
Total non-current assets	<u>6,671,659</u>	<u>57,605</u>	<u>3,892,441</u>	<u>10,621,705</u>
Total assets	<u>19,819,238</u>	<u>412,697</u>	<u>10,737,622</u>	<u>30,969,557</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	12,824	-	3,777	16,601
Due to other funds	-	-	611,546	611,546
Unearned revenue	-	-	15,003	15,003
Due to depositors	89,855	-	31,211	121,066
Notes payable	2,543,863	-	1,125,787	3,669,650
Compensated absences	56,856	30,240	28,312	115,408
Total current liabilities	<u>2,703,398</u>	<u>30,240</u>	<u>1,815,636</u>	<u>4,549,274</u>
Non-current liabilities:				
Due to depositors	808,691	-	280,901	1,089,592
Compensated absences	56,855	30,239	28,312	115,406
Total non-current liabilities	<u>865,546</u>	<u>30,239</u>	<u>309,213</u>	<u>1,204,998</u>
Total liabilities	<u>3,568,944</u>	<u>60,479</u>	<u>2,124,849</u>	<u>5,754,272</u>
NET POSITION				
Net investment in captial assets	6,671,659	57,605	3,089,849	9,819,113
Unrestricted	9,578,635	294,613	5,522,924	15,396,172
Total net position	<u>\$ 16,250,294</u>	<u>\$ 352,218</u>	<u>\$ 8,612,773</u>	<u>\$ 25,215,285</u>

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Combining Schedule of Revenues, Expenses, and Changes in Net Position – Enterprise Fund
Accounts – Year Ended June 30, 2021

	Tahlequah Gas System	Administrative Account	Stilwell- Westville Gas System	Total
OPERATING REVENUES				
Charges for services:				
Charges for Services - Gas	\$ 10,638,753	\$ -	\$ 4,819,026	\$ 15,457,779
Penalties	41,813	-	24,674	66,487
Installations and reconnects	106,837	-	27,262	134,099
Miscellaneous	739	-	-	739
Total operating revenues	<u>10,788,142</u>	<u>-</u>	<u>4,870,962</u>	<u>15,659,104</u>
OPERATING EXPENSES				
Cost of sales - gas purchases and transportation	3,254,861	-	1,670,296	4,925,157
Cost of sales - gas crisis purchase	5,182,492	-	2,293,694	7,476,186
CNG expense	55,934	-	-	55,934
Salaries and wages	855,934	459,925	451,526	1,767,385
Payroll Taxes & benefits	212,048	91,544	95,601	399,193
Contracted services	7,700	54,220	22,673	84,593
Administrative	9,036	1,141	54,605	64,782
Maintenance and repairs	19,523	3,125	17,117	39,765
Insurance	136,607	74,158	75,241	286,006
Truck expenses	26,783	597	4,851	32,231
Office supplies and expenses	4,717	80,828	12,918	98,463
Dues and pipeline assessment	33,287	27,920	15,085	76,292
Telephone and utilities	29,936	17,162	15,890	62,988
Supplies	73,986	17,507	5,071	96,564
Miscellaneous	90,576	4,135	11,378	106,089
Depreciation expense	338,649	12,106	158,463	509,218
Total Operating Expenses	<u>10,332,069</u>	<u>844,368</u>	<u>4,904,409</u>	<u>16,080,846</u>
Operating income (loss)	<u>456,073</u>	<u>(844,368)</u>	<u>(33,447)</u>	<u>(421,742)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	152,033	-	79,236	231,269
Interest expense	(4,179)	-	(1,849)	(6,028)
Total non-operating revenue	<u>147,854</u>	<u>-</u>	<u>77,387</u>	<u>225,241</u>
Income (loss) before Interaccount transfers and special item	<u>603,927</u>	<u>(844,368)</u>	<u>43,940</u>	<u>(196,501)</u>
Special Item - Distributions	(200,000)	-	(200,000)	(400,000)
Interaccount transfers in	-	942,530	-	942,530
Interaccount transfers out	(611,943)	-	(330,587)	(942,530)
Change in net position	<u>(208,016)</u>	<u>98,162</u>	<u>(486,647)</u>	<u>(596,501)</u>
Total net position - beginning	<u>16,458,310</u>	<u>254,056</u>	<u>9,099,420</u>	<u>25,811,786</u>
Total net position - ending	<u>\$ 16,250,294</u>	<u>\$ 352,218</u>	<u>\$ 8,612,773</u>	<u>\$ 25,215,285</u>

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Combining Statement of Cash Flows – Enterprise Fund Accounts – Year Ended June 30, 2021

	<u>Tahlequah Gas System</u>	<u>Administrative Account</u>	<u>Stilwell- Westville Gas System</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 10,685,482	\$ -	\$ 4,825,854	\$ 15,511,336
Payments to suppliers	(8,936,380)	(281,890)	(4,189,376)	(13,407,646)
Payments to beneficiaries	(200,000)	-	(200,000)	(400,000)
Payments to employees	(1,051,751)	(560,021)	(547,017)	(2,158,789)
Receipts of customer deposits	218,068	-	103,987	322,055
Refunds of customer meter deposits	(177,495)	-	(94,683)	(272,178)
Receipts (payments) from other funds	(40,574)	(4,455)	45,029	-
Net cash provided by (used in) operating activities	<u>497,350</u>	<u>(846,366)</u>	<u>(56,206)</u>	<u>(405,222)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other accounts	-	942,530	-	942,530
Transfers to other accounts	(611,943)	-	(330,587)	(942,530)
Net cash provided by (used in) noncapital financing activities	<u>(611,943)</u>	<u>942,530</u>	<u>(330,587)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(164,748)	(37,802)	(57,576)	(260,126)
Principal paid on debt	(229,137)	-	(101,413)	(330,550)
Proceeds from note payable	2,773,000	-	1,227,200	4,000,200
Interest and fiscal agent fees paid on debt	(4,179)	-	(1,849)	(6,028)
Net cash provided by (used in) capital and related financing activities	<u>2,374,936</u>	<u>(37,802)</u>	<u>1,066,362</u>	<u>3,403,496</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (Purchase) of investments	(63,936)	-	(28,630)	(92,566)
Interest and dividends	154,634	-	80,390	235,024
Net cash provided by investing activities	<u>90,698</u>	<u>-</u>	<u>51,760</u>	<u>142,458</u>
Net increase in cash and cash equivalents	2,351,041	58,362	731,329	3,140,732
Balances - beginning of year	5,134,286	288,766	4,659,441	10,082,493
Balances - end of year	<u>\$ 7,485,327</u>	<u>\$ 347,128</u>	<u>\$ 5,390,770</u>	<u>\$ 13,223,225</u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 7,485,327	\$ 347,128	\$ 4,564,612	\$ 12,397,067
Restricted cash and cash equivalents - current	-	-	121,066	121,066
Restricted cash and cash equivalents - noncurrent	-	-	705,092	705,092
Total cash and cash equivalents, end of year	<u>\$ 7,485,327</u>	<u>\$ 347,128</u>	<u>\$ 5,390,770</u>	<u>\$ 13,223,225</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 456,073	\$ (844,368)	\$ (33,447)	\$ (421,742)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Special Item - Distributions	(200,000)	-	(200,000)	(400,000)
Depreciation expense	338,649	12,106	158,463	509,218
Change in assets and liabilities:				
Unearned revenue	-	-	2,368	2,368
Accounts receivable	(102,660)	-	(47,476)	(150,136)
Interfund	(40,574)	(4,455)	45,029	-
Inventory	(13,251)	-	8,413	(4,838)
Accounts payable	4,989	-	1,903	6,892
Prepaid expense	(2,680)	(1,097)	(873)	(4,650)
Deposits subject to refund	40,573	-	9,304	49,877
Accrued compensated absences	16,231	(8,552)	110	7,789
Net cash provided by (used in) operating activities	<u>\$ 497,350</u>	<u>\$ (846,366)</u>	<u>\$ (56,206)</u>	<u>\$ (405,222)</u>

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REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

**Independent Auditors' Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Trustees
Northeast Oklahoma Public Facilities Authority
Tahlequah, Oklahoma

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 Northeast Oklahoma Public Facilities Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Northeast Oklahoma Public Facilities Authority's basic financial statements and have issued our report thereon dated

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Oklahoma Public Facilities Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeast Oklahoma Public Facilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Northeast Oklahoma Public Facilities 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 Northeast Oklahoma Public Facilities 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 financial statements. 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.

Hick & Company, PC

Tulsa, Oklahoma
December 13, 2021

