

**TAHLEQUAH PUBLIC WORKS AUTHORITY
and CITY LIGHT & WATER
TAHLEQUAH, OKLAHOMA**

**AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2022**

Audited By:
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Certified Public Accountant
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Stilwell, Oklahoma 74960

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INDEPENDENT

AUDITOR'S

REPORTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Tahlequah Public Works Authority
and City Light & Water
Tahlequah, Oklahoma

Opinions

We have audited the accompanying financial statements of the Tahlequah Public Works Authority and City Light & Water (the "Authority"), a component unit of the City of Tahlequah, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Tahlequah Public Works Authority and City Light & Water's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the component unit of the Tahlequah Public Works Authority and City Light & Water, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tahlequah Public Works Authority and City Light & Water 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.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 Tahlequah Public Works Authority and City Light & Water's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tahlequah Public Works Authority and City Light & Water'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 Tahlequah Public Works Authority and City Light & Water'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplementary 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 basic 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **December 12, 2022** 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 solely 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 of on the effectiveness of the Authority's 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.

Robert St. Pierre

Robert St. Pierre, C.P.A., P.C.
Stilwell, Oklahoma
December 12, 2022

MANAGEMENT'S

DISCUSSION AND

ANALYSIS

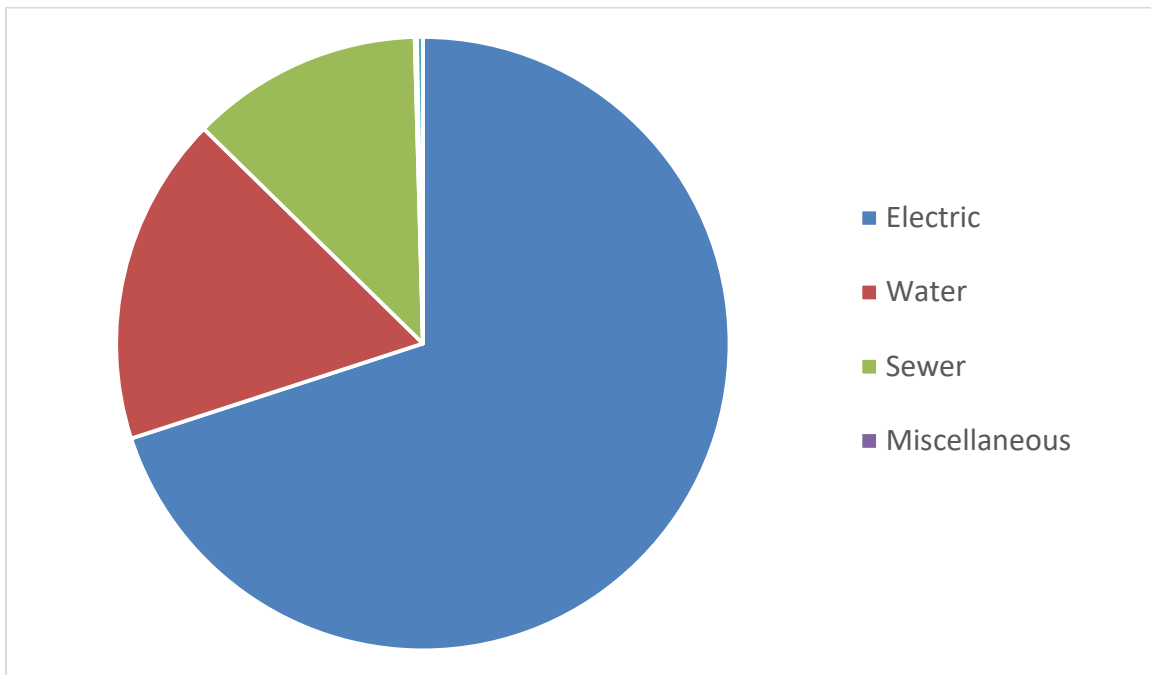
MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of the Tahlequah Public Works Authority and City Light & Water (“the Authority”), a component unit of the City of Tahlequah, Oklahoma, provides an overview of the Authority’s financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the Authority’s basic financial statements.

Financial Highlights

At June 30, 2022, the Authority’s net position totals \$45.6 million. Of this, \$43 million is considered unrestricted.

The following chart provides a graphical breakdown of revenues by category for the fiscal year ending June 30, 2022.



In the fiscal year ended June 30, 2022, the Authority’s revenues exceeded expenses, creating an increase in net position after net transfers out of \$2,641,449.

Using This Annual Report

The annual report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

The statement of net position and the statement of revenues, expenses, and changes in net position report information on Tahlequah Public Works Authority, City Light & Water, and on the Authority as a whole. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the Authority’s operating results.

These two statements report net position and changes in net position. Net position is the difference between assets and liabilities and is a measurement of the Authority’s financial health, or financial position. Over time, increases or decreases in the Authority’s net position are an indicator of whether its financial health is improving or deteriorating. Numerous other non-financial factors, such as the quality of services provided, and the condition and safety of the facilities are important in assessing the overall health of the Authority.

These statements include assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

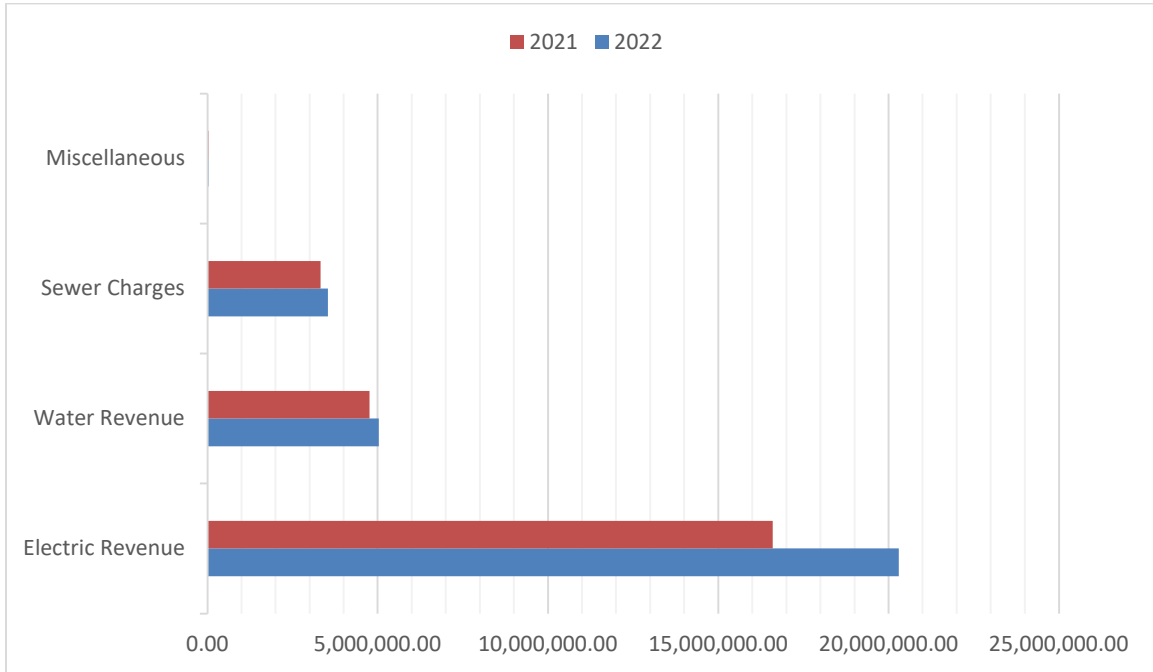
The third statement, the statement of cash flows, presents detailed information about the cash activity during the year. The statement is divided into five parts. The first part presents operating cash flows and shows the net cash provided by the operating activities of the Authority. The second section reflects cash flows from non-capital items. The third section reflects cash flows from capital and related financing activities. The fourth section reflects cash provided by investing activities. And, finally, the fifth section reconciles the net cash provided or used to the operating income or loss reflected on the statement of revenues, expenses, and changes in net position. The statement provides information regarding the Authority’s ability to generate future net cash flows, its ability to meet its obligations as they come due and its need for external funding.

Financial Overview

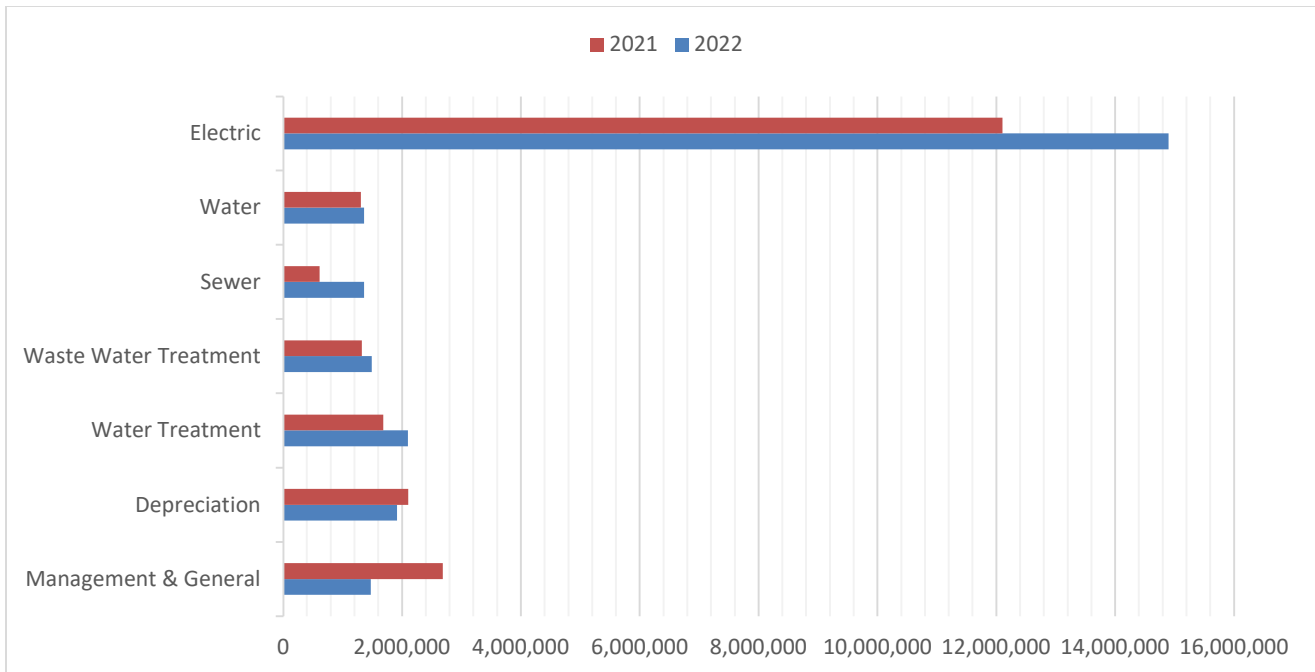
Statement of Position, End of Year

	June 30
	2022
Current Assets	\$ 24,579,715
Noncurrent Assets	48,892,761
Total Assets	<u>73,472,476</u>
Current Liabilities	4,974,944
Noncurrent Liabilities	22,855,596
Total Liabilities	<u>27,849,277</u>
Net Position	
Investment in Capital Assets	25,327,023
Restricted for Debt Service	2,600,682
Unrestricted	17,714,231
Total Net Position	<u>\$ 45,641,936</u>

Operating revenues for the fiscal year ended June 30, 2022 compared to June 30, 2021:



Operating expenses for the fiscal year ended June 30, 2022 compared to June 30, 2021:



Operating Results for the Year Ended

	June 30 2022
Operating Revenues	\$ 28,911,012
Less Operating Expenses	24,600,298
Net Operating Revenue	4,310,714
Net Nonoperating Expenses	(494,525)
Net Transfers In (Out)	(1,174,740)
Increase (Decrease) in Net Assets	2,641,449
Net Position, Beginning of Year, restated	43,000,487
Net Position, End of Year	\$ 45,641,936

Another way to assess the financial health of an entity is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due and its needs for external financing.

Below is a condensed look at the statement of cash flows for fiscal 2022:

Cash Flows for the Year Ended

	June 30 2022
Cash Provided (Used) by:	
Operating Activities	\$ 5,574,506
Noncapital Financing Activities	(1,174,740)
Capital and Related Financing Activities	(1,851,106)
Investing Activities	89,715
Net Increase (Decrease) in Cash	2,638,375
Cash, Beginning of Year	17,055,682
Cash, End of Year	\$ 19,694,057

Description of Capital Assets and Long-Term Debt Activity

At June 30, 2022 the Authority had \$48.8 million invested in capital assets, net of accumulated depreciation of \$47.3 million. Net depreciation charges totaled \$1.9 million for the year ended June 30, 2022. Details of these assets are shown below for the years ended June 30, 2022.

	June 30 2022
Non-depreciable:	
Land	\$ 387,912
Construction-in-progress	13,875,926
Total Non-depreciable Assets at Historical Cost	<u>14,263,838</u>
Depreciable:	
Buildings and Improvements	3,736,788
Machinery and Equipment	3,845,358
Infrastructure	70,421,036
Vehicles	4,019,886
Total Depreciable Assets at Historical Cost	<u>82,023,068</u>
Less Accumulated Depreciation	<u>(47,394,145)</u>
Net Depreciable Assets	<u>34,628,923</u>
Capital Assets, Net	<u>\$ 48,892,761</u>

At June 30, 2022, the Authority had \$23.5 million in debt outstanding. The table below summarizes the outstanding debt by type for the years ended June 30, 2022.

	June 30 2022
Revenue Bonds - Series 2019 Taxable	\$ 11,498,000
2011 Drinking Water SRF	158,026
2018 Drinking Water SRF	8,037,469
CWSRF WWTP Expansion	3,872,243
	<u>\$ 23,565,738</u>

More detailed information about the Authority's outstanding debt is presented in Note D in the notes to the basic financial statements.

Economic Factors and Next Year's Outlook

Per TPWA General Manager, Mike Doublehead: Unaudited financials reflect that we were 104.9% in line with our budgeted revenues. Our budgeted revenue was \$27,180,010.00 and our actual revenue was \$28,510,686.74. We experienced a 9.5% variance in the electric department revenue due to the increase in the Power Cost Adjustment, hereinafter referred to as PCA costs. As this is a pass-through cost, we do not profit from the PCA calculation. Our budgeted expenses were 107.6% for the 2022 fiscal year. Expenditures were budgeted at \$25,352,700.00 and our year-end expenditures were \$27,273,293.83. The electric department expenditure was 115.8% of the budgeted forecast. Again, this is due to the increase of the PCA. We also experienced an increase in the costs of gasoline, diesel, and oil for our vehicles. The costs for chemicals, pipes, and electric supplies increased as well.

GRDA natural gas costs for the production of electricity increased the PCA cost, and it made up in excess of more than 50% of our total electric bill. Natural gas has been trending in the high 6 and low 7 dollar range the past few months. We continually monitor the cost of natural gas, fuel, and oil as all of these can have a huge impact on the costs associated with managing our business.

Economic Outlook

Per TPWA General Manager, Mike Doublehead: We have continued work on the Teehee water treatment facility, the Wastewater Treatment facility with hopes of completing these projects in FY 2023. The Flow Equalization Basin has been completed. We expect to close out all construction of the WWTP in FY 2023.

Our preparation for the retirements of key staff members has paid off. I mentioned that we were going to advertise for an Assistant General Manager in our report last year. I am pleased to report that we promoted Mrs. Kim Dorr to the position of Assistant General Manager in April of 2022. Kim has a total of seven (7) years of experience in the public trust sector. Kim also obtained her C Water License along with her C Wastewater License. This additional education will help her as she continues to learn more and more about the inner workings of Tahlequah Public Works Authority (TPWA).

FINANCIAL

STATEMENTS

TAHLEQUAH PUBLIC WORKS AUTHORITY and CITY LIGHT & WATER
STATEMENT OF NET POSITION
For the Year Ended June 30, 2022

ASSETS	Public Works Authority	City Light & Water	2022 Total
CURRENT ASSETS			
Cash and Cash Equivalents (Note C)	\$ 9,917,952	\$ 98,130	\$ 10,016,082
Restricted Cash and Cash Equivalents (Note C)	9,677,975	-	9,677,975
Inventory	914,505	-	914,505
Accounts Receivable (Net of Allowance)	3,682,096	-	3,682,096
Prepaid Insurance	289,057	-	289,057
	<u>24,481,585</u>	<u>98,130</u>	<u>24,579,715</u>
TOTAL CURRENT ASSETS			
FIXED ASSETS (NOTE G)			
Land	387,912	-	387,912
Construction-in-Progress	13,875,926	-	13,875,926
Infrastructure	70,421,036	-	70,421,036
Vehicles	4,019,886	-	4,019,886
Buildings and Improvements	3,736,788	-	3,736,788
Machinery and Equipment	3,845,358	-	3,845,358
Less: Accumulated Depreciation	(47,394,145)	-	(47,394,145)
	<u>48,892,761</u>	<u>-</u>	<u>48,892,761</u>
TOTAL FIXED ASSETS			
TOTAL ASSETS	<u>\$ 73,374,346</u>	<u>\$ 98,130</u>	<u>\$ 73,472,476</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 2,078,557	\$ -	\$ 2,078,557
Sales Tax Payable	30,689	-	30,689
Meter Deposit Liabilities	1,826,800	-	1,826,800
Current Portion of Long-Term Debt - Revenue Bonds (Note D)	612,000	-	612,000
Current Portion of Long-Term Debt - Notes Payable (Note D)	426,898	-	426,898
	<u>4,974,944</u>	<u>-</u>	<u>4,974,944</u>
TOTAL CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Compensated Absences	328,756	-	328,756
Revenue Bonds Payable (Note D)	10,886,000	-	10,886,000
Notes Payable (Note D)	11,640,840	-	11,640,840
	<u>22,855,596</u>	<u>-</u>	<u>22,855,596</u>
TOTAL NON-CURRENT LIABILITIES			
TOTAL LIABILITIES	<u>27,830,540</u>	<u>-</u>	<u>27,830,540</u>
NET POSITION (RESTATED)			
Invested in Capital Assets (Net of Related Debt)	25,327,023	-	25,327,023
Restricted for Debt Service	2,600,682	-	2,600,682
Unrestricted	17,616,101	98,130	17,714,231
	<u>45,543,806</u>	<u>98,130</u>	<u>45,641,936</u>
TOTAL NET POSITION (Restated)			
TOTAL LIABILITIES AND NET POSITION	<u>\$ 73,374,346</u>	<u>\$ 98,130</u>	<u>\$ 73,472,476</u>

TAHLEQUAH PUBLIC WORKS AUTHORITY and CITY LIGHTS & WATER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2022

	<u>Public Works Authority</u>	<u>City Light & Water</u>	<u>2022 Totals</u>
OPERATING REVENUES			
Electric Revenue	\$ 20,296,634	\$ -	\$ 20,296,634
Water Revenue	5,035,188	-	5,035,188
Sewer Charges	3,543,930	-	3,543,930
Miscellaneous	35,260	-	35,260
TOTAL OPERATING REVENUES	<u>28,911,012</u>	<u>-</u>	<u>28,911,012</u>
OPERATING EXPENSES			
Electric Service	14,900,226	-	14,900,226
Water Service	1,361,927	-	1,361,927
Sewer Service	1,358,883	-	1,358,883
Waste Water Treatment	1,488,883	-	1,488,883
Water Treatment	2,098,248	-	2,098,248
Depreciation	1,917,680	-	1,917,680
Management and General	1,404,321	70,130	1,474,451
TOTAL OPERATING EXPENSES	<u>24,530,168</u>	<u>70,130</u>	<u>24,600,298</u>
NET OPERATING GAIN (LOSS)	<u>4,380,844</u>	<u>(70,130)</u>	<u>4,310,714</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Gains (Loss)	89,361	354	89,715
Interest Expense and Fees	(584,240)	-	(584,240)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(494,879)</u>	<u>354</u>	<u>(494,525)</u>
INCOME BEFORE CONTRIBUTIONS & TRANSFERS	3,885,965	(69,776)	3,816,189
Transfers In	-	-	-
Transfer Between TPWA & CL&W	(1,244,865)	1,244,865	-
Transfers Out	-	(1,174,740)	(1,174,740)
INCREASE (DECREASE) IN NET POSITION	2,641,100	349	2,641,449
NET POSITION BEGINNING OF YEAR (Restated)	<u>42,902,706</u>	<u>97,781</u>	<u>43,000,487</u>
NET POSITION END OF YEAR	<u>\$ 45,543,806</u>	<u>\$ 98,130</u>	<u>\$ 45,641,936</u>

TAHLEQUAH PUBLIC WORKS AUTHORITY and CITY LIGHT & WATER
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2022

	<u>Public Works Authority</u>	<u>City Light & Water</u>	<u>2022 Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 27,606,294	\$ -	\$ 27,606,294
Payments to vendors and suppliers	(15,945,564)	(46,130)	(15,991,694)
Payments to employees	(6,016,094)	(24,000)	(6,040,094)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>5,644,636</u>	<u>(70,130)</u>	<u>5,574,506</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers between TPWA & CL&W	\$ (1,244,865)	\$ 1,244,865	-
Transfers Out	-	(1,174,740)	(1,174,740)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,244,865)</u>	<u>70,125</u>	<u>(1,174,740)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Purchases of capital assets	(4,578,843)	-	(4,578,843)
Proceeds from capital debt	5,075,776	-	5,075,776
Principal paid on capital debt	(1,763,799)	-	(1,763,799)
Interest and fees on capital debt, net of subsidy	(584,240)	-	(584,240)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(1,851,106)</u>	<u>-</u>	<u>(1,851,106)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	89,361	354	89,715
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>89,361</u>	<u>354</u>	<u>89,715</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>2,638,026</u>	<u>349</u>	<u>2,638,375</u>
CASH AT THE BEGINNING OF THE YEAR	<u>16,957,901</u>	<u>97,781</u>	<u>17,055,682</u>
CASH AT THE END OF THE YEAR	<u>\$ 19,595,927</u>	<u>\$ 98,130</u>	<u>\$ 19,694,057</u>
RECONCILIATION OF CASH TO STATEMENT OF FIN. POSITION:			
Cash and Cash Equivalents	\$ 9,917,952	\$ 98,130	\$ 10,016,082
Restricted Cash and Cash Equivalents	9,677,975	-	9,677,975
	<u>\$ 19,595,927</u>	<u>\$ 98,130</u>	<u>\$ 19,694,057</u>

TAHLEQUAH PUBLIC WORKS AUTHORITY and CITY LIGHT & WATER
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

	<u>Public Works Authority</u>	<u>City Light & Water</u>	<u>2022 Total</u>
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by Operating Activities:			
Operating Income (Loss)	\$ 4,380,844	\$ (70,130)	\$ 4,310,714
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	1,917,680	-	1,917,680
(Increase) Decrease in:			-
Accounts Receivable	(1,304,718)	-	(1,304,718)
Inventories	447,516	-	447,516
Prepaid Insurance	4,525	-	4,525
(Increase) Decrease in:			-
Accounts Payable	105,915	-	105,915
Compensated Absences	92,874	-	92,874
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,644,636</u>	<u>\$ (70,130)</u>	<u>\$ 5,574,506</u>

FINANCIAL

STATEMENT

NOTES

**TAHLEQUAH PUBLIC WORKS AUTHORITY
and CITY LIGHT & WATER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Tahlequah Public Works Authority and City Light & Power (the "Authority") have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

1: REPORTING ENTITY

The Tahlequah Public Works Authority (the "Authority") is a public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statute 1961, Sections 176 to 180, on December 4, 1970 for the use and benefit of the City of Tahlequah, Oklahoma. The Authority was established to manage utility facilities whether water, sewage, electric, or other forms or types of public and municipal services within or without the corporate boundaries of the City of Tahlequah, Oklahoma, and the conservation of public welfare in these areas.

The City Light & Water is a department of the City of Tahlequah charged with oversight of Tahlequah Public Works Authority.

2: BASIS OF PRESENTATION

Basis of Accounting—The accounts in this report are presented on the accrual basis of accounting. Under this method revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the accounting period in which the related liability is incurred.

Fund Accounting—The Authority utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on an accrual basis. Substantially all revenues and expenses are subject to accrual.

Operating revenues for the Authority are those generated from its primary operations. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the operation of the Authority. All other expenses are reported as non-operating expenses.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Outflow/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualify for reporting in this category.

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

1. Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those assets.
2. Restricted net position – consists of net position with constraints placed on the use either by external groups, laws or enabling legislation.
3. Unrestricted net position – all other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

It is the Authority'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.

Income Tax Status— As a Title 60 Public Trust, the Authority is exempt from income taxes.

3: ASSETS, LIABILITIES, AND NET POSITION

Deposits and Investments—For financial statement presentation and for purposes of the statement of cash flows, the Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at their fair market value.

Custodial Credit Risk—Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned, or the Authority will not be able to recover collateral securities that are in the possession of an outside party. The Authority was exposed to custodial credit risk of \$0 at June 30, 2022.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset:

1. Level 1 inputs are quoted prices in active markets for identical assets
2. Level 2 inputs are significant other observable inputs
3. Level 3 inputs are significant unobservable inputs.

Accounts Receivable—Management considers all receivables as of June 30, 2022 to be revenues earned at year-end and not yet received. They are reported net of allowances for uncollectible accounts.

Inventories—Inventory is generally stated at the lower of cost and net realizable value on the first-in, first-out method.

Capital Assets—Property, plant and equipment are recorded at cost. Depreciation is provided on the straight-line basis, beginning the year of acquisition, over the estimated useful lives of the related assets. Expenditures for repairs and maintenance are charged to expense as incurred, whereas major improvements that extend the life of the asset are capitalized.

Compensated Absences—Vested or accumulated vacation and sick leave is recorded as an expense and liability as the benefits accrue to employees.

NOTE B: DEPOSITS AND INVESTMENTS

The Authority held the following deposits and investments at June 30, 2022:

Type:	2022	Recon. to Statement of Net Position:	2022
Petty Cash	\$ 2,500	Cash and Cash Equivalents	\$ 9,917,952
Checking Accounts	8,168,455	Restricted Cash and Cash Equivalents	9,677,975
Bond Accounts	2,329,740		
Reserve Accounts	6,954,240	Total Recon. of Cash and Restricted	\$ 19,595,927
Retirement & Employee Accounts	113,951	Cash Equivalents	
Meter Deposit Funds	1,756,099		
Money Markets - Bond Funds	270,942		
Total Deposits and Investments	\$ 19,595,927		

NOTE C: CAPITAL ASSETS

The Authority's changes in property, plant, and equipment as of June 30, 2022, consisted of the following:

	Balance Balance at June 30, 2021	Adjustment	Additions	Deletions	Balance Balance at June 30, 2022
Non-Depreciable:					
Land	\$ 387,912	\$ -	\$ -	\$ -	\$ 387,912
Construction-in-Progress	10,946,018	-	3,454,720	(524,812)	13,875,926
Depreciable:					
Infrastructure	\$ 68,221,985	\$ 1,637,499	\$ 658,082	\$ (96,530)	\$ 70,421,036
Vehicles	3,979,820	-	179,358	(139,292)	4,019,886
Buildings and Improvements	3,754,020	-	234,325	(251,557)	3,736,788
Machinery and Equipment	3,768,193	-	169,225	(92,060)	3,845,358
Total Capital Assets, Cost Basis	91,057,948	1,637,499	4,695,710	(1,104,251)	96,286,906
<i>Less: Accumulated Depreciation</i>	<i>(45,786,877)</i>	<i>-</i>	<i>(1,917,680)</i>	<i>310,412</i>	<i>(47,394,145)</i>
Capital Assets, Net	\$ 45,271,071	\$ 1,637,499	\$ 2,778,030	\$ (793,839)	\$ 48,892,761

The Authority's fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life. It is the Authority's policy to capitalize all fixed assets with a cost over \$5,000.

NOTE D: LONG-TERM DEBT

As of June 30, 2022, long-term debt payable consisted of the following:

Notes Payable:

- 2018 Series Drinking Water SRF Promissory Note to the Oklahoma Water Resources Board, original issue amount \$8,200,000, secured by utility revenues, interest rate of 2.65% and administrative fee of 0.5%, final maturity of September 15, 2050.

- 2011 Series Drinking Water SRF Promissory Note to the Oklahoma Water Resources Board, original issue amount \$1,680,000, secured by utility revenues, interest rate of 1.78% and administrative fee of 0.5%, final maturity of March 15, 2023
- 2019 Series Clean Water SRF Promissory Note to the Oklahoma Water Resources Board, original issue amount \$6,750,000, secured by utility revenues, interest rate of 1.57% and administrative fee of 0.5%, final maturity of September 15, 2049.

Revenue Bonds:

- Utility System Revenue Note, Taxable Series 2019, original issue amount of \$12,850,000, secured by utility revenues, interest rate of 2.65%, final maturity October 1, 2037.

Changes in Long-Term Debt:

	Balance at June 30, 2021	Additions	Reductions	Balance at June 30, 2022	Current Portion Due
Capital Lease	\$ 59,905	\$ -	\$ 59,905	\$ -	\$ -
Revenue Bonds Payable	12,094,000	-	596,000	11,498,000	612,000
Notes Payable	8,695,856	5,075,776	1,703,894	12,067,738	426,898
Total Long-Term Debt	\$ 20,849,761	\$ 5,075,776	\$ 2,359,799	\$ 23,565,738	\$ 1,038,898

Debt Service Requirements to Maturity:

The annual debt service requirements to maturity for long-term debt as of June 30, 2022 are as follows:

Year Ending June 30,	Notes Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2023 - Current Portion	\$ 426,898	\$ 350,732	\$ 612,000	\$ 300,669
2024	276,844	342,760	628,000	284,345
2025	285,055	334,550	644,000	267,597
2026	293,511	326,094	660,000	250,425
2027	302,220	317,385	678,000	232,815
2028	311,190	308,414	695,000	214,742
2029-2033	1,700,193	1,397,831	3,758,000	785,737
2034-2038	1,968,371	1,129,650	3,823,000	257,554
2039-2043	2,279,273	818,753	-	-
2044-2048	2,639,760	458,265	-	-
2049-2053	1,584,423	79,599	-	-
	\$ 12,067,738	\$ 5,864,033	\$ 11,498,000	\$ 2,593,884

NOTE E: FAIR VALUE MEASUREMENT

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

SAS 157 defines fair value as the amount that would be received from the sale of an asset or paid for the transfers of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the Authority's own assumptions in determining the fair value of investments).

Fair value of assets measured on a recurring basis at June 30, 2022 are as follows:

Fair Value Measurements at Reporting Date June 30, 2022	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market - BancFirst 2011 Bond Fund	\$ 42,428	\$ 42,428	\$ -	\$ -
Money Market - BancFirst 2019 Bond Fund	228,514	228,514	-	-
Total	\$ 270,942	\$ 270,942	\$ -	\$ -

NOTE F: RETIREMENT PROGRAMS

Effective February 28, 2005 the Authority changed its Defined Contribution Plan to a 401(A) Non-standardized Profit-Sharing Plan. Under the new plan employees become eligible immediately upon employment. Employer contributions are at the sole discretion of the Authority and are allocated using a Nonintegrated (pro rata) formula. Any employee forfeitures are used to reduce any employer contributions. Employees become 100% vested after three years of service. No employee contributions are allowed under this plan. During fiscal year 2022, the Authority contributed \$377,957 to the Profit-Sharing Plan.

In addition to the Profit-Sharing Plan described above, the Authority has also established a Section 457 Retirement Plan for all full-time employees. Under this Plan, there is no fixed dollar amount of retirement benefits. The employee's actual retirement benefit will depend on the amount of their account balances at the time of retirement. The account balance will reflect the employee deferral contributions, if any, in the period of time the employee participates in the Plan and their success in investing and re-investing the assets of their accounts.

NOTE G: OTHER POST EMPLOYMENT BENEFITS

The Authority provides post-retirement benefit options for health care for retired employees and their dependents that elect to make required contributions. Effective July 1, 2012 the board voted to modify the plan to require 25 years of service and raised the qualifying age to 62. Benefits cease at age 65. At June 30, 2022, no retired employees were receiving benefits under this plan. Management expects few, if any,

employees to qualify for and take advantage of this benefit. No liability has been accrued for this benefit as management does not believe the amount would be material to the financial statements.

NOTE H: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; employee health, life and accident benefits; unemployment; and natural disasters. The Authority maintains commercial insurance coverage for claims arising from such matters other than certain natural disasters. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE I: COMMITMENTS AND CONTINGENCIES

During the ordinary course of business, the Authority may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the Authority at June 30, 2022 that management believes would result in a material loss in the event of an adverse outcome.

NOTE J: RESTATEMENT OF BEGINNING NET POSITION

Per GASB No. 62, Codification of Accounting and Financial Reporting Guidance, corrections of errors in previously issued financial statements are reported as prior-period adjustments. A detail of the restatements to the Organization's beginning net position are listed below:

1. Adjustment to DWSRF Project account at Armstrong Bank for (\$178,605).
2. Adjustment to post accrued interest from revenue bonds for \$60,690.
3. Adjustment to Accounts Receivables to reconcile to correct balance for \$773,500.
4. Adjustment to correct Construction-In-Progress for \$868,119.
5. Adjustment to remove obsolete fixed assets from the depreciation schedule for (\$64,958).
6. To report City Light & Water cash account not reflected in previous year's financial report(s) for \$97,781.

Pursuant to GASB No. 62, a net amount of \$1,556,527 in restatements of the beginning net position was made for the fiscal year ending June 30, 2022.

NOTE K: SUBSEQUENT EVENTS

The management of the Authority has evaluated subsequent events through **December 12, 2022**, which is the date the financial statements were available to be issued.

ROBERT ST. PIERRE, C.P.A., P.C.

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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

To the Board of Trustees
of Tahlequah Public Works Authority
and City Light & Water
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 Tahlequah Public Works Authority and City Light & Water (the "Authority"), a component unit of the City of Tahlequah, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated **December 12, 2022**.

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) 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-1 and 2022-2. that we consider to be material weaknesses.

Report on 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 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*.

Authority's Response to Findings

The Authority's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Robert St. Pierre

Robert St. Pierre C.P.A., P.C.
Stilwell, Oklahoma
December 12, 2022

**TAHLEQUAH PUBLIC WORKS AUTHORITY
and CITY LIGHT & WATER
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022**

2022-1 PROPER DESIGN AND IMPLEMENTATION OF THE FINANCIAL REPORTING CLOSE PROCESS

Criteria: The Authority should maintain a system of internal controls that ensures financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) in a timely manner.

Condition: The Authority’s June 30, 2022 financial statements required significant adjustments.

Cause and Effect: During the year ended June 30, 2022, the Authority did not maintain appropriate oversight of internal controls to prevent erroneous financial reporting. The Authority had several adjusting entries applicable to the current year. Errors were primarily related to debt, construction in progress, cash, and accounts payable.

Recommendation: Management should evaluate internal controls related to financial reporting to ensure that timely and accurate financial reports are prepared to support decision-making as well as review of current financial position. Procedures for recording and reconciling long-term debt, capital assets, including construction in progress, accrued expenses, and cash balances should be a focus for review.

Management Response and Corrective Action Plan: TPWA has engaged the services of an outside CPA to assist with proper entries related to the finding. While we are aware of the weakness of the capital assets register, this will not be an overnight fix. Our team has identified the system errors and is working with Caselle to capture the entries in the proper place within the accounting system. As far as the budget is concerned, TPWA reviews its budget at the bare minimum monthly and uses the budget as a live working document throughout the entire fiscal year. We feel strongly about our review and monitoring of the budget.

2022-2 REGULAR RECONCILIATION OF ACCOUNTS ON THE BALANCE SHEET

Criteria: The Authority should perform reconciliations on accounts with significant activity on a regular basis.

Condition: The Authority’s sub-ledger details for several account balances did not reconcile to the amounts recorded in the trial balance.

Cause and Effect: During the year ended June 30, 2022, the Authority did not prepare reconciliations for several account balances related to cash, accounts payable, inventory, fixed assets, and debt. These reconciliations were also not prepared during interim dates. This caused significant entries to these accounts and resulted in us elevating risk related to the cash disbursement cycle as cash reconciliations were not being done timely and not all journal entries were posted for some accounts.

Recommendation: Management should perform reconciliations on all cash accounts and accounts payable monthly. Fixed assets, inventory, and debt reconciliations should be done at least bi-annually.

Management Response and Corrective Action Plan: The Authority has engaged the assistance of an outside accounting firm, as well as additional staff to ensure the prevention of these errors. The additional staff as well as the outside firm will provide the further assistance necessary to report timely and accurate financial records.