

Northeast Oklahoma Public Facilities Authority

Annual Financial Statements
with Independent Auditor's Report

June 30, 2022



**NORTHEAST OKLAHOMA PUBLIC
FACILITIES AUTHORITY**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
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INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

Board of Trustees
Northeast Oklahoma Public Facilities Authority
Tahlequah, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the financial statements of the Northeast Oklahoma Public Facilities Authority (the Authority), 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 as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Northeast Oklahoma Public Facilities Authority, 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 (GAAS) 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 the Authority 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 opinions.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the 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 from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS 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 GAAS, 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 the Authority'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 the Authority'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 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 January 19, 2023 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 on the effectiveness of 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.

Hick & Company, PC

Tulsa, Oklahoma
January 19, 2023



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MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2022. 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, 2022. 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, 2022 and 2021, 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, 2022

	2022	2021	% Inc. (Dec.)
Current assets	\$ 18,336,302	\$ 19,736,306	-7%
Noncurrent assets			
Capital assets, net of depreciation	9,780,699	9,819,113	0%
Other assets	840,034	802,592	5%
Total assets	<u>28,957,035</u>	<u>30,358,011</u>	-5%
Current liabilities	310,254	3,937,728	-92%
Noncurrent liabilities	1,240,714	1,204,998	3%
Total liabilities	<u>1,550,968</u>	<u>5,142,726</u>	-70%
Net position			
Net investment in capital assets	9,780,699	9,819,113	0%
Unrestricted	17,625,368	15,396,172	14%
Total net position	<u>\$ 27,406,067</u>	<u>\$ 25,215,285</u>	9%

Significant balances for the NOPFA for the operations during fiscal year 2022 consisted of cash balances, capital assets, and current liabilities.

At year ended June 30, 2022 the NOPFA ended the year with unrestricted cash and investment balances of \$10,948,837 and \$6,149,383.

NOPFA also had capital assets recorded net of accumulated depreciation of \$9,780,699.

NOPFA also incurred \$1,252,260 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 \$1,252,260.

Current liabilities decreased by 92% or \$3,627,474 due to NOPFA extinguishment of short-term note payable balance of \$3,669,650. The note payable was obtained in order to pay amounts due to third-party supplier of natural gas during fiscal year 2021.

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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, 2022.

Table 2
Change in Net Position
For the Year Ended June 30, 2022

	2022	2021	% Inc. (Dec.)
Operating revenues and expenses			
Operating revenues	\$ 15,296,096	\$ 15,659,104	-2%
Less operating expenses	(12,869,269)	(16,080,846)	-20%
Net operating revenues (expenses)	<u>2,426,827</u>	<u>(421,742)</u>	-675%
Nonoperating revenues	<u>83,955</u>	<u>225,241</u>	-63%
Income (loss) before special item	2,510,782	(196,501)	-1378%
Special Item	<u>(320,000)</u>	<u>(400,000)</u>	-20%
Increase (decrease) in net position	<u>\$ 2,190,782</u>	<u>\$ (596,501)</u>	467%

Revenues

The most significant revenue source of NOPFA is related to the sale of gas to customers of the Authority, and these revenues comprise 97.9% of the operating revenues and 97.2% of total revenues for fiscal year 2022.

For the fiscal year 2022, NOPFA operating revenues remained consistent with prior year. Two primary factors affecting fiscal year 2021 that the Authority didn't see in fiscal year 2022: 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 exceeded contracted prices for supply and resulted in NOPFA purchasing supply at adjusted market rates due to exceeding these contractual limits. This cost was passed on to the consumer.

Expenses

The most significant expenses of NOPFA, for fiscal year 2022, are the purchase of gas and transportation costs, with these expenses comprising 69.38% of operation expenses and 67.7% of total expenses for fiscal year 2022. As mentioned previously the resulting impact of conditions for fiscal year 2021 resulted in significant incurrence of cost that did not recur during fiscal year 2022. This resulted in a significant decrease in operating expenses and the primary contributor to the increase in net position of 467%.

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Capital Assets and Debt Administration

For 2022, NOPFA recorded a total of \$22,434,676 in capital assets and \$12,653,977 in accumulated depreciation. During the year ended June 30, 2022, the NOPFA had an addition in the gas distribution system of \$288,755, which comprise much of the significant additions for the fiscal year.

At June 30, 2022, NOPFA had an obligation of \$227,246 for accrued compensated absences accrued by employees. NOPFA also reported a direct borrowing of \$3,669,650 for fiscal year end 2021, of which the remaining balance was paid during fiscal year 2022.

Table 3
Capital Assets, Net
June 30, 2022

	2022	2021	Change
Capital Assets	\$ 22,434,676	\$ 21,985,818	\$ 448,858
Less accumulated depreciation	(12,653,977)	(12,166,705)	(487,272)
Capital assets, net	<u>\$ 9,780,699</u>	<u>\$ 9,819,113</u>	<u>\$ (38,414)</u>

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

Table 4
Short and Long-Term Liabilities
June 30, 2022

	2022	2021	Change
Notes Payable (short-term)	\$ -	\$ 3,669,650	\$ (3,669,650)
Accrued compensated absences	227,246	230,814	(3,568)
Total long-term & short-term liabilities	<u>\$ 227,246</u>	<u>\$ 3,900,464</u>	<u>\$ (3,673,218)</u>

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

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Proprietary Fund Statement of Net Position - June 30, 2022

ASSETS

Current assets:	
Cash and cash equivalents	\$ 10,948,837
Investments	6,149,383
Restricted:	
Cash and cash equivalents	125,226
Investments	287,000
Accounts receivable, net	435,558
Interest receivable	1,719
Inventory	349,882
Prepaid expenses	38,697
Total current assets	<u>18,336,302</u>
Non-current assets:	
Restricted:	
Cash and cash equivalents	742,534
Investments	97,500
Capital assets:	
Land and construction in progress	317,995
Other capital assets, net of accumulated depreciation	9,462,704
Total non-current assets	<u>10,620,733</u>
Total assets	<u><u>\$ 28,957,035</u></u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 47,668
Unearned revenue	23,794
Due to depositors	125,226
Compensated absences	113,566
Total current liabilities	<u>310,254</u>
Non-current liabilities:	
Due to depositors	1,127,034
Accrued compensated absences	113,680
Total non-current liabilities	<u>1,240,714</u>
Total liabilities	<u>1,550,968</u>

NET POSITION

Net investment in capital assets	9,780,699
Unrestricted	17,625,368
Total net position	<u><u>\$ 27,406,067</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, 2022

OPERATING REVENUES

Charges for services:	
Charges for Services - Gas	\$ 14,975,850
Penalties	99,303
Installations and reconnects	171,619
Miscellaneous	49,324
Total operating revenues	<u>15,296,096</u>

OPERATING EXPENSES

Cost of sales - gas purchases and transportation	8,929,160
CNG expense	144,963
Salaries and wages	1,808,644
Payroll taxes & benefits	439,123
Contracted services	105,368
Administrative	68,505
Maintenance and repairs	53,283
Insurance	306,460
Truck expenses	67,310
Office supplies and expenses	84,522
Dues and pipeline assessment	89,318
Telephone and utilities	64,411
Supplies	59,778
Miscellaneous	161,152
Depreciation expense	487,272
Total operating expenses	<u>12,869,269</u>
Operating income (loss)	<u>2,426,827</u>

NON-OPERATING REVENUES (EXPENSES)

Investment income	115,629
Interest expense	<u>(31,674)</u>
Total non-operating revenue	<u>83,955</u>
Income before special item	<u>2,510,782</u>
Special item - Distributions	<u>(320,000)</u>
Change in net position	2,190,782
Total net position - beginning	<u>25,215,285</u>
Total net position - ending	<u>\$ 27,406,067</u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Cash Flows - Year Ended June 30, 2022

	Totals
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 15,384,719
Payments to suppliers	(10,178,400)
Payments to beneficiaries	(320,000)
Payments to employees	(2,251,335)
Receipts of customer deposits	322,055
Refunds of customer meter deposits	(280,454)
Net cash provided by operating activities	2,676,585
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other accounts	951,552
Transfers to other accounts	(951,552)
Net cash provided by noncapital financing activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(448,857)
Principal paid on debt	(3,669,650)
Interest and fiscal agent fees paid on debt	(31,674)
Net cash provided by (used in) capital and related financing activities	(4,150,181)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (Purchase) of investments	(50,198)
Interest and dividends	117,166
Net cash provided by investing activities	66,968
Net increase (decrease) in cash and cash equivalents	(1,406,628)
Balances - beginning of year	13,223,225
Balances - end of year	\$ 11,816,597
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 10,948,837
Restricted cash and cash equivalents - current	125,226
Restricted cash and cash equivalents - noncurrent	742,534
Total cash and cash equivalents, end of year	\$ 11,816,597
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,426,827
Adjustments to reconcile operating income to net cash provided by operating activities:	
Special Item - Distributions	(320,000)
Depreciation expense	487,272
Change in assets and liabilities:	
Unearned revenue	8,791
Accounts receivable	79,832
Inventory	(69,940)
Accounts payable	31,066
Prepaid expense	(5,296)
Deposits subject to refund	41,601
Accrued compensated absences	(3,568)
Net cash provided by operating activities	\$ 2,676,585

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, 2022, NOPFA held the following deposits and investments:

<u>Type of Deposit and Investment</u>	<u>Carrying Value</u>
Deposits:	
Demand	\$ 11,816,597
Non-negotiable Certificate of Deposits	6,533,883
Total Deposits and Investments	<u><u>\$ 18,350,480</u></u>
 Reconciliation to Statement of Net Position:	
Current assets:	
Cash and cash equivalents	\$ 10,948,837
Investments	6,149,383
Restricted:	
Cash and cash equivalents	125,226
Investments	287,000
Restricted:	
Cash and cash equivalents	742,534
Investments	97,500
	<u><u>\$ 18,350,480</u></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, 2022, NOPFA's bank balance of \$18,981,091 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, 2022 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, 2022 are as follows:

	Current		Noncurrent	
	Cash and cash equivalents	Investments	Cash and cash equivalents	Investments
Meter deposits	\$ 125,226	\$ 287,000	\$ 742,534	\$ 97,500
Total	<u>\$ 125,226</u>	<u>\$ 287,000</u>	<u>\$ 742,534</u>	<u>\$ 97,500</u>

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	<u>\$ 450,266</u>	<u>\$ (14,708)</u>	<u>\$ 435,558</u>

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, 2022, capital assets balances changed as follows:

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	Balance at June 30, 2021	Additions	Disposals	Balance at June 30, 2022
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in Progress	151,643	271,044	(114,692)	307,995
Total capital assets not being depreciated	<u>161,643</u>	<u>271,044</u>	<u>(114,692)</u>	<u>317,995</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	15,236,178	288,755	-	15,524,933
Equipment	1,362,801	3,751	-	1,366,552
Vehicles	1,145,126	-	-	1,145,126
Total other capital assets	<u>21,824,175</u>	<u>292,506</u>	<u>-</u>	<u>22,116,681</u>
Less accumulated depreciation for:				
Accumulated Depreciation				
Buildings and improvements	(1,010,495)	(54,996)	-	(1,065,491)
CNG Stations and slow fills	(436,690)	(47,130)	-	(483,820)
Gas Distribution System	(8,562,148)	(295,646)	-	(8,857,794)
Equipment	(1,163,402)	(34,707)	-	(1,198,109)
Vehicles	(993,970)	(54,793)	-	(1,048,763)
Total accumulated depreciation	<u>(12,166,705)</u>	<u>(487,272)</u>	<u>-</u>	<u>(12,653,977)</u>
Other capital assets, net	<u>9,657,470</u>	<u>(194,766)</u>	<u>-</u>	<u>9,462,704</u>
Total capital assets, net	<u>\$ 9,819,113</u>	<u>\$ 76,278</u>	<u>\$ (114,692)</u>	<u>\$ 9,780,699</u>

5. Debt and Debt Service Requirements

For the year ended June 30, 2022, the reporting entity's short and long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance 6/30/21</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/22</u>	<u>Due Within One Year</u>
Notes Payable - Direct Borrowing	\$ 3,669,650	\$ -	\$ 3,669,650	\$ -	\$ -
Accrued compensated absences	<u>230,814</u>	<u>224,255</u>	<u>227,823</u>	<u>227,246</u>	<u>113,566</u>
Total Long-Term Debt	<u>\$ 3,900,464</u>	<u>\$ 224,255</u>	<u>\$ 3,897,473</u>	<u>\$ 227,246</u>	<u>\$ 113,566</u>

Accrued compensated absences:

Current portion	\$ 113,566
Noncurrent portion	<u>113,680</u>
Total Accrued Compensated Absences	<u>\$ 227,246</u>

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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 2022 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 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, 2022 was 1,006,750 MMBtus.

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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 \$21,979 for Administration, \$42,356 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, 2022, contributions in the amount of \$22,502 for Administration, \$53,257 for Tahlequah and \$24,589 for Stilwell were made by the employees, while \$21,219 for Administration, \$43,165 for Tahlequah and \$18,652 for Stilwell were made by NOPFA and recognized as pension expense.

10. Subsequent Events

Subsequent events have been evaluated through January 19, 2023, 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, 2022

	Tahlequah Gas System	Administrative Account	Stilwell- Westville Gas System	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,177,495	\$ 462,294	\$ 4,309,048	\$ 10,948,837
Investments	4,193,176	-	1,956,207	6,149,383
Restricted:				
Cash and cash equivalents	-	-	125,226	125,226
Investments	287,000	-	-	287,000
Due from other funds	636,573	-	-	636,573
Accounts receivable, net	314,303	-	121,255	435,558
Interest receivable	1,195	-	524	1,719
Inventories	254,752	-	95,130	349,882
Prepaid expenses	18,266	9,763	10,668	38,697
Total current assets	<u>11,882,760</u>	<u>472,057</u>	<u>6,618,058</u>	<u>18,972,875</u>
Non-current assets:				
Restricted:				
Cash and cash equivalents	-	-	742,534	742,534
Investments	-	-	97,500	97,500
Capital Assets:				
Land and construction in progress	306,338	-	11,657	317,995
Other capital assets, net of accumulated depreciation	6,461,366	43,220	2,958,118	9,462,704
Total non-current assets	<u>6,767,704</u>	<u>43,220</u>	<u>3,809,809</u>	<u>10,620,733</u>
Total assets	<u>18,650,464</u>	<u>515,277</u>	<u>10,427,867</u>	<u>29,593,608</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	20,023	10,176	17,469	47,668
Due to other funds	-	-	636,573	636,573
Unearned revenue	-	-	23,794	23,794
Due to depositors	92,357	-	32,869	125,226
Compensated absences	60,790	27,341	25,435	113,566
Total current liabilities	<u>173,170</u>	<u>37,517</u>	<u>736,140</u>	<u>946,827</u>
Non-current liabilities:				
Due to depositors	831,216	-	295,818	1,127,034
Compensated absences	60,793	27,341	25,546	113,680
Total non-current liabilities	<u>892,009</u>	<u>27,341</u>	<u>321,364</u>	<u>1,240,714</u>
Total liabilities	<u>1,065,179</u>	<u>64,858</u>	<u>1,057,504</u>	<u>2,187,541</u>
NET POSITION				
Net investment in capital assets	6,767,704	43,220	2,969,775	9,780,699
Unrestricted	10,817,581	407,199	6,400,588	17,625,368
Total net position	<u>\$ 17,585,285</u>	<u>\$ 450,419</u>	<u>\$ 9,370,363</u>	<u>\$ 27,406,067</u>

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Combining Schedule of Revenues, Expenses, and Changes in Net Position – Enterprise Fund
Accounts – Year Ended June 30, 2022

	Tahlequah Gas System	Administrative Account	Stilwell- Westville Gas System	Total
OPERATING REVENUES				
Charges for services:				
Charges for Services - Gas	\$ 9,966,948	\$ -	\$ 5,008,902	\$ 14,975,850
Penalties	57,833	-	41,470	99,303
Installations and reconnects	138,305	-	33,314	171,619
Miscellaneous	49,324	-	-	49,324
Total operating revenues	<u>10,212,410</u>	<u>-</u>	<u>5,083,686</u>	<u>15,296,096</u>
OPERATING EXPENSES				
Cost of sales - gas purchases and transportation	5,978,857	-	2,950,303	8,929,160
CNG expense	144,963	-	-	144,963
Salaries and wages	934,636	440,423	433,585	1,808,644
Payroll Taxes & benefits	242,699	93,905	102,519	439,123
Contracted services	7,900	64,581	32,887	105,368
Administrative	11,724	847	55,934	68,505
Maintenance and repairs	28,525	1,621	23,137	53,283
Insurance	148,594	79,176	78,690	306,460
Truck expenses	57,849	1,499	7,962	67,310
Office supplies and expenses	7,175	84,624	(7,277)	84,522
Dues and pipeline assessment	41,730	30,845	16,743	89,318
Telephone and utilities	31,382	17,662	15,367	64,411
Supplies	35,254	20,848	3,676	59,778
Miscellaneous	147,664	2,934	10,554	161,152
Depreciation expense	316,206	14,386	156,680	487,272
Total Operating Expenses	<u>8,135,158</u>	<u>853,351</u>	<u>3,880,760</u>	<u>12,869,269</u>
Operating income (loss)	<u>2,077,252</u>	<u>(853,351)</u>	<u>1,202,926</u>	<u>2,426,827</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	77,172	-	38,457	115,629
Interest expense	(21,895)	-	(9,779)	(31,674)
Total non-operating revenue	<u>55,277</u>	<u>-</u>	<u>28,678</u>	<u>83,955</u>
Income (loss) before Interaccount transfers and special item	<u>2,132,529</u>	<u>(853,351)</u>	<u>1,231,604</u>	<u>2,510,782</u>
Special Item - Distributions	(160,000)	-	(160,000)	(320,000)
Interaccount transfers in	-	951,552	-	951,552
Interaccount transfers out	(637,538)	-	(314,014)	(951,552)
Change in net position	<u>1,334,991</u>	<u>98,201</u>	<u>757,590</u>	<u>2,190,782</u>
Total net position - beginning	<u>16,250,294</u>	<u>352,218</u>	<u>8,612,773</u>	<u>25,215,285</u>
Total net position - ending	<u>\$ 17,585,285</u>	<u>\$ 450,419</u>	<u>\$ 9,370,363</u>	<u>\$ 27,406,067</u>

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Combining Statement of Cash Flows – Enterprise Fund Accounts – Year Ended June 30, 2022

	Tahlequah Gas System	Administrative Account	Stilwell- Westville Gas System	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 10,281,654	\$ -	\$ 5,103,065	\$ 15,384,719
Payments to suppliers	(6,687,766)	(296,261)	(3,194,373)	(10,178,400)
Payments to beneficiaries	(160,000)	-	(160,000)	(320,000)
Payments to employees	(1,169,463)	(540,125)	(541,747)	(2,251,335)
Receipts of customer deposits	218,068	-	103,987	322,055
Refunds of customer meter deposits	(193,041)	-	(87,413)	(280,454)
Receipts (payments) from other funds	(25,027)	-	25,027	-
Net cash provided by (used in) operating activities	2,264,425	(836,386)	1,248,546	2,676,585
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other accounts	-	951,552	-	951,552
Transfers to other accounts	(637,538)	-	(314,014)	(951,552)
Net cash provided by (used in) noncapital financing activities	(637,538)	951,552	(314,014)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(412,251)	-	(36,606)	(448,857)
Principal paid on debt	(2,543,863)	-	(1,125,787)	(3,669,650)
Interest and fiscal agent fees paid on debt	(21,895)	-	(9,779)	(31,674)
Net cash provided by (used in) capital and related financing activities	(2,978,009)	-	(1,172,172)	(4,150,181)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (Purchase) of investments	(34,901)	-	(15,297)	(50,198)
Interest and dividends	78,191	-	38,975	117,166
Net cash provided by investing activities	43,290	-	23,678	66,968
Net increase (decrease) in cash and cash equivalents	(1,307,832)	115,166	(213,962)	(1,406,628)
Balances - beginning of year	7,485,327	347,128	5,390,770	13,223,225
Balances - end of year	\$ 6,177,495	\$ 462,294	\$ 5,176,808	\$ 11,816,597
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 6,177,495	\$ 462,294	\$ 4,309,048	\$ 10,948,837
Restricted cash and cash equivalents - current	-	-	125,226	125,226
Restricted cash and cash equivalents - noncurrent	-	-	742,534	742,534
Total cash and cash equivalents, end of year	\$ 6,177,495	\$ 462,294	\$ 5,176,808	\$ 11,816,597
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 2,077,252	\$ (853,351)	\$ 1,202,926	\$ 2,426,827
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Special Item - Distributions	(160,000)	-	(160,000)	(320,000)
Depreciation expense	316,206	14,386	156,680	487,272
Change in assets and liabilities:				
Unearned revenue	-	-	8,791	8,791
Accounts receivable	69,244	-	10,588	79,832
Interfund	(25,027)	-	25,027	-
Inventory	(51,008)	-	(18,932)	(69,940)
Accounts payable	7,199	10,175	13,692	31,066
Prepaid expense	(2,340)	(1,799)	(1,157)	(5,296)
Deposits subject to refund	25,027	-	16,574	41,601
Accrued compensated absences	7,872	(5,797)	(5,643)	(3,568)
Net cash provided by (used in) operating activities	\$ 2,264,425	\$ (836,386)	\$ 1,248,546	\$ 2,676,585

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REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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Independent Auditor's 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, 2022, 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

Report on 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.

Report on 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
January 19, 2023

