

*Stilwell Area  
Development Authority*

*Annual Financial Statements & Audit Report*

Year Ended June 30, 2024



**STILWELL AREA DEVELOPMENT AUTHORITY**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2024**

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## ***Management Discussion & Analysis***

As Management of the Stilwell Area Development Authority (the Authority), we offer readers of the Authority's financial statement this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

### **Financial Highlights**

The Assets of the Authority exceeded its liabilities at the close of the current year by \$23,464,760.

The Authority's net position Increased from \$23,117,632 to \$23,627,915, which is an increase of \$510,283.

The Authority's cash, cash equivalents, and CD's unreserved of \$2,245,471 at June 30, 2024.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's audit report. The audit report consists of two parts: management's discussion and analysis, and the financial statements. The financial statements also include notes that explain in more detail some of the information in the financial statements.

### ***Required Financial Statements***

The Authority uses fund accounting in its financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has one fund type, proprietary. Proprietary funds are reported in the fund financial statements and generally report services for which the Authority charges customers a fee. There are two kinds of proprietary funds: enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements.

Proprietary fund statements are Statement of Net Position, a Statement of Revenues, Expenses and Changes in fund Net Position and a Cash Flow Statement that is prepared using the direct method. The Statement of Net Position includes all the Authority's assets and liabilities and obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the financial success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The third required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in the cash balance during the period.

GAAP requires state and local governments to use the enterprise fund type to account for "business-type activities" – activities like those found in the private sector. The purpose of the enterprise fund is to account for operations that are financed and operated in a manner like private business enterprises

– where the intent of the governing body is that the costs (expenses, including depreciation)

of providing goods or services to the public on a continuing basis be financed or recovered primarily through users' charges.

An enterprise fund establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Under enterprise accounting, the revenues and expenditures of the service are segregated into a separate fund with its own financial statements. Revenues are recognized when earned and expenses are recognized when incurred, under a full accrual basis of accounting. An enterprise fund provides management with information to measure performance, analyze the impact of financial decisions and to determine the cost of providing a service.

At year-end, the performance of an enterprise fund is measured in terms of positive and negative operations. An operating surplus is the result of revenue collected in excess of estimates and translates into retained earnings that are maintained in the fund.

The Authority's net position Increased \$708,459 for the year ended June 30, 2024. The following table provides a summary of net position.

### NET POSITION

	Total Proprietary Funds As of <u>As of June 30, 2023</u>	Total Proprietary Funds As of <u>As of June 30, 2024</u>	Net Change
<b>ASSETS</b>			
Current Assets	\$ 7,049,624	\$ 4,577,229	\$ (2,472,395)
Net Fixed Assets	18,791,713	22,175,191	3,383,478
Deferred Outflows	<u>549,154</u>	<u>472,186</u>	<u>(76,968)</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 26,390,491</u></u>	<u><u>\$ 27,224,606</u></u>	<u><u>834,115</u></u>
<b>LIABILITIES AND NET POSITION</b>			
Current Liabilities	\$ 972,224	\$ 1,292,792	320,568
Non-Current Liabilities	2,143,405	2,193,044	49,639
Deferred Inflows	157,230	110,855	(46,375)
Net Position	<u>23,117,632</u>	<u>23,627,915</u>	<u>510,283</u>
	<u><u>\$ 26,390,491</u></u>	<u><u>\$ 27,224,606</u></u>	<u><u>\$ 834,115</u></u>

## SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Total Proprietary Funds For the Year Ended June 30, 2023	Total Proprietary Funds For the Year Ended June 30, 2024	Net Change
Operating Revenue	\$ 11,935,627	\$ 11,493,207	\$ (442,420)
Operating Expenses	11,357,656	12,614,482	(1,256,826)
Net Income From Operations	577,971	(1,121,275)	(1,699,246)
Non-Operating Revenues &( Expense)	684,506	1,631,558	947,052
Change in Net Position	1,262,477	510,283	(752,194)
Total Net Position Beginning of Year	21,855,155	23,117,632	1,262,477
Total Net Position End of Year	\$ 23,117,632	\$ 23,627,915	\$ 510,282

### ANALYSIS OF BUDGET VS ACTUAL 2023- 2024

	Budget	Actual	Variance
<b>Revenue</b>			
Electric Revenue	9,397,000	8,312,927	(1,084,073)
Water Sales	2,208,500	2,153,806	(54,694)
Sewer Sales	1,106,500	1,025,267	(81,233)
Other Revenue	45,200	51,908	6,708
Grant Revenue	23,000,000	1,987,033	(21,012,967)
<b>Total Revenue</b>	35,757,200	13,530,941	(22,226,259)
<b>Expenses</b>			
Administrative	1,203,037	801,651	401,386
Billing & Collection	279,072	250,797	28,275
Water/Sewer Construction	829,900	909,436	(79,536)
Electric	9,457,260	7,731,881	1,725,379
Water Filtration	20,736,454	1,804,053	18,932,401
Waste Disposal	6,267,512	1,522,840	4,744,672
Meter Deposits	-	-	-
<b>Total Expenses</b>	38,773,235	13,020,658	25,752,577
Increase in Net Position	(3,016,035)	510,283	(47,978,836)

## Capital Assets

The investment in capital assets as of June 30<sup>th</sup> Increased from \$36,463,789 to \$3,443,255.

	<b>Fiscal Year 2022 - 2023</b>	<b>Fiscal Year 2023 - 2024</b>	<b>Increase (Decrease)</b>
Land/Improvements	491,431	491,431	-
Equipment	2,331,983	2,610,412	278,429
Vehicles	1,853,045	2,079,511	226,466
Buildings	2,565,648	2,604,996	39,348
Electrical System	7,316,736	7,922,502	605,766
Sewer System	14,910,488	15,906,942	996,454
Water Plant	5,715,655	5,966,799	251,144
Construction in Progress	1,278,803	3,413,377	2,134,574
Investment in Capital Assets	36,463,789	40,995,970	4,532,181
Accumulated Depreciation	(17,672,076)	(18,820,779)	(1,148,703)
Net Fixed Assets	18,791,713	22,175,191	3,383,478

The Authority entered into a Memorandum of Understanding with the Cherokee Nation for engineering, plans, and specifications on a new Water Treatment Plant (WTP), Raw Water Intake (RWI), and a second Flow Equalization Basin (FEB). The agreement was executed on October 7, 2022 and a Purchase Order was issued by Cherokee Nation November 17, 2022 in the amount of \$1,292,000. The Authority solicited the professional services of Holloway, Updike & Bellen (HUB) to complete the full plans and specifications per the terms of the MOA with Cherokee Nation. HUB had previously performed the full engineering plans and specifications for the RWI and FEB along with a preliminary engineering report (PER) for the WTP in FY 2022 utilizing funds from Cherokee Nation COVID Relief funds discussed in the prior year.

Subsequent to the end of FY2023, the Authority was notified by the Oklahoma Water Resources Board (OWRB) that grant funds from the American Rescue Plan Act (ARPA) have been committed to the WTP, RWI, and FEB construction. The total grant funds awarded for the projects total \$22,567,938.00.

The projects will be funded as follows:

**Projects**

Water Treatment Plant	\$ 21,077,000
Raw Water Intake	2,580,000
Flow Equalization Basin	3,550,000

<b>Total Cost</b>	<u><u>\$ 27,207,000</u></u>
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**Funding Plan**

OWRB ARPA Funds	\$ 6,910,500
Indian Health Service (WTP/RWI)	7,025,000
Indian Health Service (FEB)	1,134,000
Cherokee ARPA Funding	7,210,500
APRA Admin Fee	287,938
OWRB Loan Funds*	7,975,000

<b>Total Funding</b>	<u><u>\$ 30,542,938</u></u>
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\*Loan funds will only be drawn down to the extent they are needed.

The expected life of these facilities is expected to be 50 years. The raw water intake and water treatment plant will replace facilities that are 56 years old. The second FEB will improve water storage capacity during high flows often associated with wet weather flows, provide redundancy to critical operations, and allow for scheduled maintenance of the existing FEB when necessary without impacting the operations of the plant.

On March 4<sup>th</sup> 2024, the Stilwell Area Development Authority signed a promissory note for \$7,975,000 with the Oklahoma Water Resources Board. The authority is anticipating loan forgiveness of \$800,000 when the loan becomes final. The remainder of the loan funds that are drawn down will be amortized over 30 years at the interest rate of 2.80% plus .50% admin fee. The loan will be secured by the water revenue of the authority as well as 90% of the electric revenues.

**Debt**

At June 30, 2024, the Authority had outstanding debt in the amount of \$1,398,738. The promissory note is with USDA for 1,484,000 at 1.375% interest, payable over 40 years.

## **Economic factors and next year's budget and rates**

In fiscal year 2025 the Authority entered a contract with Utility Financial Solutions, LLC to perform a rate study of all current Utility rates. UFS was highly recommended and has performed rate studies for multiple communities near SADA.

Management recently recognized the urgent need to conduct a comprehensive rate study of its utility rates a task long overdue. Management discovered that there was no evidence of a external or independent rate study ever being performed, leaving the authority without a clear understanding of whether its current rates adequately covered operational costs or aligned with industry standards. GRDA contributed \$10,000 of the cost of the rate study.

This issue was compounded by significant challenges in recent years. A decline in the customer base, paired with the economic pressures of post-COVID inflation, has strained the utility's cash flows and profitability. These factors underscored the importance of evaluating the financial sustainability of its rates and identifying potential adjustments to maintain the quality of services provided to its community. Recognizing the gravity of the situation, the authority decided to move forward with a detailed analysis to secure its long-term viability.

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, P.O. Box 1512, Stilwell, Oklahoma 74960.



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Stilwell Area Development Authority  
City of Stilwell, Oklahoma

**Report on the Audit of the Financial Statements**

***Opinions***

I have audited the accompanying financial statements of the business-type activities of the Stilwell Area Development Authority (the Authority), a component unit of the City of Stilwell, Oklahoma, as of and for the year ended June 30, 2024, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2024, 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***

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Stilwell Area Development Authority and do not purport to, and do not, present fairly the financial position of the City of Stilwell, Oklahoma, as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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 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***

My 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 my 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*, I:

- 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 my 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.

I am 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 I 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 and pension exhibits, as listed in the table of contents, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

#### ***Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of federal assistance is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of federal assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated March 11, 2025, on my consideration of the Authority's internal control over financial reporting and on my 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 my 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 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 Authority's internal control over financial reporting and compliance.

Regards,

A handwritten signature in black ink, appearing to read "Mike Green", with a stylized, cursive script.

Michael Green, CPA

Stilwell, Oklahoma

March 11, 2025

**Stilwell Area Development Authority**  
**Statement of Net Position, Business Type Activities**  
**Proprietary Funds**  
**June 30, 2024**

ASSETS	<b>2024</b>
<b>Current Assets</b>	
Cash and Cash Equivalents (Note 2)	\$ 1,045,471
Certificates of Deposit	1,151,736
Receivables - Utility Billings (Net; Note 3)	1,154,042
Net Pension Asset	-
Prepaid Assets	49,114
Net Pension Asset	-
Inventories	1,128,602
Total Current Assets	<u>4,528,965</u>
<b>Non-Current Restricted Cash</b>	
Restricted Cash	-
Restricted Certificates of Deposit	48,264
	<u>48,264</u>
<b>Capital Assets:</b>	
Buildings, Property & Equipment	37,582,593
Construction in Progress	3,413,377
Accumulated Depreciation	(18,820,779)
Total Capital Assets	<u>22,175,191</u>
Total Assets	<u>\$ 26,752,420</u>
Deferred Outflow of Resources	
Total Deferred Outflows-OMRF	472,186
<b>LIABILITIES AND NET POSITION</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 872,884
Construction Contract Retainage	100,348
Unearned Revenue	240,023
Sales Tax Payable	21,196
Payroll Taxes Payable	5,905
Accrued Payroll	31,318
Employee Benefits Payable	(8,099)
Current Portion of Long Term Debt	29,217
Total Current Liabilities	<u>1,292,792</u>
<b>Noncurrent Liabilities</b>	
Accrued Compensated Absences	120,562
Net Pension Liability	379,722
Customer Deposits	323,239
Noncurrent Portion of Long Term Debt	1,369,521
Total Noncurrent Liabilities	<u>2,193,044</u>
Total Liabilities	<u>3,485,836</u>
Deferred Inflows of Resources	
Total Deferred Inflows of Resources-OMRF	110,855
<b>Net Position</b>	
Investment In Capital Assets	20,776,453
Restricted (Note 4)	48,264
Unrestricted	2,803,198
Total Net Position	<u>\$ 23,627,915</u>

The accompanying notes and auditor's reports are an integral part of these financial statements.

**Stilwell Area Development Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**June 30, 2024**

	ADMIN	BILLING and COLLECTION	WATER CONST	ELECTRIC	WATER	SEWER	SEWER CONST	Total Proprietary Funds
<b>Operating Revenues:</b>								
Charges for Services	\$ -	\$ -	\$ -	\$ 7,771,776	\$ 2,130,225	\$ 1,013,747	\$ -	\$ 10,915,748
Tap Fee Collections	-	-	-	-	4,550	2,500	-	7,050
Penalty	-	-	-	72,728	19,335	9,221	-	101,284
Re-Connect Fee	-	-	-	13,450	-	-	-	13,450
Transfer Fee	-	-	-	384	-	-	-	768
Miscellaneous Income	1,207	-	-	458,656	63	30	-	459,956
Cash Short/Over	-	-	-	-	-	-	-	-
AMP Deferred Revenue	-	-	-	(4,067)	(751)	(231)	-	(5,049)
<b>Total Operating Revenue</b>	<b>1,207</b>	<b>-</b>	<b>-</b>	<b>8,312,927</b>	<b>2,153,806</b>	<b>1,025,267</b>	<b>-</b>	<b>11,493,207</b>
<b>Operating Expense</b>								
Personal services cost	288,028	202,574	392,418	539,858	300,823	347,676	22,576	2,093,953
Power Cost	-	-	-	5,568,891	-	-	-	5,568,891
Materials & Supplies	20,432	17,519	224,536	726,598	251,901	562,039	6,210	1,809,235
Other Costs	472,300	30,704	34,612	90,503	1,044,993	322,254	-	1,995,366
Depreciation	22,098	-	257,870	418,095	206,336	242,638	-	1,147,037
Capital Outlay	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>802,858</b>	<b>250,797</b>	<b>909,436</b>	<b>7,343,945</b>	<b>1,804,053</b>	<b>1,474,607</b>	<b>28,786</b>	<b>12,614,482</b>
<b>Operating Income (loss)</b>	<b>(801,651)</b>	<b>(250,797)</b>	<b>(909,436)</b>	<b>968,982</b>	<b>349,753</b>	<b>(449,340)</b>	<b>(28,786)</b>	<b>(1,121,275)</b>
<b>Nonoperating Revenues (expenses)</b>								
Admin Allocation	(697,299)	-	-	316,775	176,516	204,008	-	-
Bill/Collect Allocation	-	(209,644)	-	95,239	53,070	61,335	-	-
Construction Allocation	-	-	909,436	-	(909,436)	(28,786)	28,786	-
Interest Expense	-	-	-	-	-	(19,447)	-	(19,447)
City Lease 5%	-	-	-	(387,936)	-	-	-	(387,936)
Interest Expense	-	-	-	-	-	-	-	-
Gain or (Loss) on Sale of Assets	-	-	-	-	-	-	-	-
Grants	-	80,427	-	-	1,781,810	124,796	-	1,987,033
Misc Revenue	-	-	-	-	-	-	-	-
Service Fee	-	-	-	-	-	-	-	-
Interest Revenue	-	-	-	36,919	10,156	4,833	-	51,908
<b>Total nonoperating Revenue (expenses)</b>	<b>(697,299)</b>	<b>(129,217)</b>	<b>909,436</b>	<b>60,997</b>	<b>1,112,116</b>	<b>346,739</b>	<b>28,786</b>	<b>1,631,558</b>
<b>Total Increase in Net Position (Loss)</b>	<b>(1,498,950)</b>	<b>\$ (380,014)</b>	<b>-</b>	<b>\$ 1,029,979</b>	<b>\$ 1,461,869</b>	<b>\$ (102,601)</b>	<b>\$ -</b>	<b>\$ 510,283</b>
<b>Beginning of Year Net Position</b>								<b>23,117,632</b>
<b>End of Year Net Position</b>								<b>\$ 23,627,915</b>

The accompanying notes and auditor's reports are an integral part of these financial statements.

**Stilwell Area Development Authority**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**June 30, 2024**  
**Business Type Activities**

	<b><u>2024</u></b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 11,572,461
Payments to Suppliers	(2,093,953)
Payments to Employees	(9,591,093)
<b>Net Cash Provided by Operating Activities</b>	<b><u>(112,585)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of Capital Assets	(4,532,181)
Principal Paid on Capital Debt	(28,817)
Interest and Fees Paid	(19,447)
<b>Net Cash Used by Capital Related Financing Activities</b>	<b><u>(4,580,445)</u></b>
<b>CASH FLOWS FORM INVESTING ACTITIVIES</b>	
Payment to City Lease	(387,936)
Grants Received	1,987,033
Change in Investment Accounts	476,968
Change in Grant Receivable	517,750
Interest Revenue	51,908
<b>Net Cash Provided by Investing Activities</b>	<b><u>2,645,723</u></b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(2,047,307)</b>
<b>Cash and Cash Equivalents Beginning of the Year</b>	<b>3,091,113</b>
<b>Cash and Cash Equivalents End of the Year</b>	<b><u>\$ 1,043,806</u></b>

**RECONCILIATION OF OPERATING INCOME**

<b>(Loss) to Net Cash Provided (Used) By Operating Activities</b>	
Operating Income	\$ (1,121,275)
Depreciation	1,147,037
Change in:	
Receivables	(158,248)
Prepays	(10,481)
Inventory	(322,268)
Accounts Payable & Pension Liabilities	139,936
Deferred Revenue	240,023
Customer Meter Deposits	(1,315)
Deferred Inflows & Outflows	(46,375)
Accrued Payroll	0
Accrued Compensated Absences	20,381
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ (112,585)</u></b>

**Additional Cash Flows Information**

Interest Paid	<u>\$ 19,447</u>
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The accompanying notes and auditor's reports are an integral part of these financial statements.

**STILWELL AREA DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Stilwell Area Development Authority is a trust created July 18, 1962, under the provisions of Title 60, Oklahoma Statutes 1951, Sections 176 to 180, inclusive, the Oklahoma Trust Act and other applicable statutes of the State of Oklahoma. The trust agreement transferred all rights and privileges of the water and sewer systems of the City of Stilwell to the Authority for the life of the trust. In 2000 the trust agreement was amended, and the electric system of the City of Stilwell was also transferred to the Authority. References to prior year balances in the financial statements reflect the inclusion of the electric system.

The trust complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the trust the option of electing to apply FASB pronouncements issued after November 30, 1989. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

In determining the financial reporting entity, the trust complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity,". The Stilwell Area Development Authority is considered a component unit of the City of Stilwell, Oklahoma.

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

Basis of Presentation

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the trust or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the Authority are described below:

### Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The trust believes that all of its funds are in this category since they all relate to or provide for the business type activity.

Measurement focus is a term used to describe “which” 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 and Basis of Accounting

#### *Measurement Focus*

On the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, the business-like activities have been presented using the economic resources measurement focus as defined below.

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 assets (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 assets.

#### *Basis of Accounting*

In the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, the business-like activities would be presented using 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. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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.

### Cash and Cash Equivalents

The Authority considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months, or less, to be cash or cash equivalents.

### Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.”

### Long-Term Liabilities



All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

#### Compensated Absences

Unused sick leave may be accumulated by an employee up to a maximum of 720 hours, however, should an employee quit or be terminated, payment of earned sick leave is limited to 240 hours. Per GASB 16, these accruals have been made in current year.

#### Inventories

Inventories consist of materials and supplies and are stated using the average cost method.

#### Property and Equipment

The Authority values its fixed assets at historical cost or estimated historical cost if actual historical cost is not available. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Accumulated depreciation is reported on the balance sheets. Depreciation has been provided on the straight-line method over the estimated useful life.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect 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. Accordingly, actual results could differ from those estimates.

#### Operating and Non-Operating Revenues

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are charges for Electric, Water & Sewer Services and charges related to establishing these services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Authorities policy to use restricted resources first, then unrestricted resources as they are needed.

### **NOTE 2: CASH AND INVESTMENTS**

Cash and investments include all deposits held by financial institutions – money market accounts, savings accounts and certificates of deposit. At year-end, the bank balance of the Authority’s deposits totaled \$2,245,470. All funds were either covered by federal depository insurance or collateralized by securities pledged to the Authority by various depository banks.

The following table summarizes the authority’s cash and investments on June 30, 2024:

Account Name	Maturity Date	Balance 6/30/2024	Restricted	Unrestricted
Cash on Hand		1,200		1,200
Cash in Bank Operations		775,016		775,016
Cash Depr Reserve		5,152		5,152
Cash Meter Deposit		227,925		227,925
Cash Wasterwater		36,178		36,178
<b>Total Cash</b>		<b>1,045,471</b>	<b>-</b>	<b>1,045,471</b>
Certificate of Deposit	8/10/2025	1,000,000	48,264	951,736
Certificate of Deposit	2/15/2025	100,000		100,000
Certificate of Deposit	7/15/2027	100,000		100,000
<b>Total Certificates of Deposit</b>		<b>1,200,000</b>	<b>48,264</b>	<b>1,151,736</b>

Restricted cash is reserved as a part of Net Position; these amounts are reserved for debt service and payment of loans. The Authority is statutorily limited to investing public funds in obligations of the United States Government or the State of Oklahoma, certificates of deposit, insured checking and savings accounts and insured savings certificates. Custodians of those funds are required to secure collateral for amounts in excess of the amount insured by the Federal Deposit Insurance Corporation or Federal Savings & Loan Insurance Corporation. This collateral must be in the form of United State or state and local government obligations or a surety bond.

### NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2024, represents outstanding charges for services provided. Aged accounts receivable was as follows:

Current	\$ 1,092,307
30 Days	55,053
60 Days	1,988
90 Days	1,497
120 Days & Over	3,197
Allowance for Bad Debt	<u>-</u>
Total Accounts Receivable	\$ 1,154,042
Prepayments (Unearned Revenue)	(240,023)
Net Accounts Receivables	<u>\$ 914,019</u>

It is the authority's policy accrue allowance for bad debt equal to unpaid 90 day and over accounts receivable. For fiscal year 2024, there is no allowance for doubtful accounts due to the fact that all accounts over 90 days are written off each month.

### NOTE 4: RESTRICTED ASSETS & RESERVED 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.”

The majority of restricted assets of the Authority consist of cash on deposit in banks.

Net Position is reserved for restricted cash for debt retirement in the amount of \$48,264.

## NOTE 5: CAPITAL ASSETS

It is the organization’s policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value.

Major classifications of property and equipment and their respective depreciable lives are listed below.

	Balance 6/30/2023	Additions	Deletions	Balance 6/30/2024
Business-type activities:				
Property & Equipment w/Life Less than 20 years	\$ 8,804,045	\$ 418,139	\$ -	\$ 9,222,184
Property & Equipment w/Life More than 20 years	26,380,941	1,979,468	-	28,360,409
Total Depreciable Assets	35,184,986	2,397,607	-	37,582,593
Less accumulated depreciation for:	(17,672,076)	(1,148,703)	-	(18,820,779)
Net Fixed Assets	\$ 17,512,910	\$ 1,248,904	\$ -	\$ 18,761,814
Construction in Progress	\$ 1,278,803	\$ 4,114,042	\$ (1,979,468)	\$ 3,413,377

## NOTE 6: LONG-TERM DEBT

Long-term debt held by the United States Department of Agriculture is secured by real property as well as 10% of the electrical revenues.

On June 30, 2021, the Stilwell Area Development Authority signed a promissory note for \$1,484,000 from the United States Department of Agriculture for the purpose of making improvements to the wastewater treatment plant. Principal payments commenced on July 28, 2021. The principal balance on the loan was \$1,455,980 at June 30, 2023. The note bears an interest rate of 1.375% and a term of 40 years. The note was signed on June 30, 2021 and was funded on July 6, 2021.

On March 4<sup>th</sup> 2024, the Stilwell Area Development Authority signed a promissory note for \$7,975,000 with the Oklahoma Water Resources Board. The authority is anticipating loan forgiveness of \$800,000 when the loan becomes final. The remainder of the loan funds that are drawn down will be amortized over 30 years at the interest rate of 2.80% plus .50% admin fee. The loan will be secured by the water revenue of the authority as well as 90% of the electric revenues.

Type of Debt	Balance 6/30/2023	Additions	Reductions	Balance 6/30/2024	Amount Due Within One Year
Business-type Activities:					
USDA	\$ 1,427,555	\$ -	\$ (28,817)	\$ 1,398,738	\$ 29,217
Total Government-type Activities:	<u>\$ 1,427,555</u>	<u>\$ -</u>	<u>\$ (28,817)</u>	<u>\$ 1,398,738</u>	<u>\$ 29,217</u>

Year Ending June 30,	USDA	
	Principal	Interest
2025	\$ 29,217	\$ 19,047
2026	29,621	18,643
2027	30,031	18,233
2028	30,447	17,817
2029	30,868	17,396
2030	31,295	16,969
2031-2035	163,091	78,228
2036-2040	174,692	66,628
2041-2045	187,116	54,202
2046-2050	200,423	40,894
2051-2055	214,680	26,639
256-2060	229,948	11,368
2061-2065	47,309	347
	<u>\$ 1,398,738</u>	<u>\$ 386,411</u>

## NOTE 7: EMPLOYEE RETIREMENT PLAN

**Plan Description**-The Authority contributes to the OkMRF for all eligible employees. The participation by the Authority in the City of Stilwell agent multiple employers defined benefit plan requires the accounting treatment as a cost-sharing multiple employer plan. The plan is administered by OkMRF for the City of Stilwell. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: [www.okmrf.org/reports.html](http://www.okmrf.org/reports.html). Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

**Summary of Significant Accounting Policies** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s plan and additions to/deductions from the City’s fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans’ fiduciary net position is available in the separately issued OkMRF financial report.

### **Eligibility Factors and Benefit Provisions**

Provision	As of 07/01/23 OkMRF Plan
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	5 years of credited service

b. Period Required to Vest	5 years of credited service
c. Eligibility for Distribution	<ul style="list-style-type: none"> <li>-Normal retirement at age 65 with 5 years of service</li> <li>-Early retirement at age 55 with 5 years of service</li> <li>-Disability retirement upon disability with 5 years of service</li> <li>-Death benefit with 5 years of service for married employees</li> </ul>
d. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
Normal Retirement	-2.25% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement
Death Benefit	-50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 7 Years of Service	-No benefits
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
g. Form of Benefit Payments	Normal form is a 60-month certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

**Contribution Requirements**-The City Council has the authority to set and amend contribution rates by ordinance for the OKMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 5.57% of covered payroll as of 7-1-23; however, management elected to contribute 4% of covered payroll as of 7-1-23. For the year ended June 30, 2024, the Authority recognized \$95,017 of employer contributions to the plan which exceeds the actuarially determined amount based on covered payroll of \$1,541,084; included in the contributions. Employees' contribution is 4.5% of covered payroll as of 7-1-23.

**Actuarial Assumptions**

Date of Last Actuarial Valuation	July 1, 2023
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.50%
c. Projected Salary Increase	Varies between 7.50% and 4.5% based on age

d. Post Retirement Cost-of-Living Increase	Benefits (attributable to service prior to 1/1/2010) in payment status are adjusted each July 1 <sup>st</sup> based on the percentage change in the CPI. The maximum increase or decrease in any year is 2.75%.
e. Inflation Rate	2.75%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown Additional rates per thousand are Added during the first 5 years: Year 1: 225 Year 2: 140 Year 3: 100 Year 4: 70 Year 5: 40
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011

**Discount Rate** – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.5% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

The City Council has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2023, are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
US Large Cap Stocks S&P 500	25.00%	4.55%	1.14%
US Small/Mid Cap Stocks Russell 2500	10.00%	5.00%	0.50%
Int'l Developed Mkts Equity MSCI EAFE	20.00%	6.20%	1.24%
Int'l Emerging Mkts Equity MSCI EM Net Div	5.00%	6.40%	0.32%
Private Equity MSCI ACWI Net Div	5.00%	6.05%	0.30%
US Fixed Income Bonds Barclays US	20.00%	2.55%	0.51%
Real Estate NCREIF	15.00%	4.95%	0.74%
Cash Equivalents 3 Month Treasury	0.00%	15.00%	0.00%
	100.00%		4.75%
		Inflation	2.75%
			<u>7.50%</u>

**Sensitivity of the net pension liability to changes in the discount rate**-The following presents the net pension liability of the Authority, calculated using the discount rate of 7.50 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease 6.50%	Curent Discount Rate	1% Increase 8.50%
Net Pension Liability	941,887	379,722	78,519

The Authority reported \$95,017 pension expense for the year ended June 30, 2024. On June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	195,643	27,831
Changes of assumptions		82,718
Net difference between projected and actual earnings on pension plan and Investments	203,109	
Changes in proportion	1,916	306
SADA contributions subsequent to the measurement date	71,518	
Total	<u>472,186</u>	<u>110,855</u>

**Amortization of Pension Deferrals** – In the year ending June 30, 2024, \$472,186 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Total
Year Ended June 30:	
2025	72,094
2026	51,052
2027	151,009
2028	15,656
2029	-
	<u>289,811</u>

#### **NOTE 8: CLAIMS AND JUDGEMENTS**

From time to time the Authority participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to non-compliance with grant program regulations, the Authority may be required to reimburse the grantor government. No provision is made in the financial statements for these possible contingencies.

#### **NOTE 9: ALLOCATION OF INDIRECT COSTS**

Indirect cost of the Authority is accumulated in cost centers until such time as they are allocated. The Authority currently has three cost centers that are allocated to the service cost centers. The Indirect cost centers are Administration, Billing and Collection, and Water and Sewer Construction.



The Administration function and Billing and Collection are currently allocated to the Electric, Water, and Sewer services based on a percentage of payroll each department has at the end of the month and reconciled at the end of the year.

#### **NOTE 10: COMMITMENTS AND CONTINGENCIES**

The organization currently participates in a number of state assisted grant and contract programs. These programs are subject to audit by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenses disallowed under the terms of the grant. Presently, the organization has no such requests pending, and in the opinion of management, any such amounts would not be considered material.

See Note 6 for Loan commitment with OWRB.

At June 30, 2023, the authority had uncompleted construction for capital projects. The remaining commitment on these construction contracts was approximately \$ 21,781,411 related to the new water plant and \$3,418,636 related to the new flow equalization basin.

On August 21, 2023, the State of Oklahoma Department of Environmental Quality issued a consent order on the wastewater treatment plant for violations issued on August 24, 2022 and May 25, 2023. As of June 30, 2024, the Authority has paid \$67,350 in fines and \$5,000 in engineering fees related to the consent order. Management is currently working on a plan to rectify the situation related to the consent order, as of the date of the financial statements a cost and source of financing have yet to be determined.

#### **NOTE 11: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 11, 2025, which is the date which the financial statements were available to be issued.

#### **NOTE 12: RELATED PARTIES**

In June 2022 the SADA board of directors under the recommendation of the Chairman of the Board and legal counsel at the time entered into a contract with Shelldon Miggetto / Pinnacle Management & Consulting LLC for grant writing services. At the time of execution of this contract the current CFO was a minority partner in Pinnacle Management & Consulting LLC. Pinnacle is paid 5% of the grant awards over the life of the construction contracts. The total paid to Pinnacle Management & Consulting LLC during FY 24 was \$553,560.

# Schedules of Required Supplementary Information

## OKLAHOMA MUNICIPAL RETIREMENT FUND

### Schedule of Changes in Net Pension Liability and Related Ratios

#### LAST 10 FISCAL YEARS

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total pension liability</b>										
Service cost	\$ 179,893	\$ 183,591	\$ 190,323	\$ 177,583	\$ 179,703	\$ 197,086	\$ 230,798	\$ 230,437	\$ 267,743	\$ 252,354
Interest	591,364	602,074	627,855	647,453	649,317	661,226	702,937	714,157	773,811	764,368
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	4,295	(53,974)	(140,028)	(26,682)	101,138	(89,071)	563,455	(97,404)	380,682
Changes of assumptions	-	-	-	213,617	-	254,519	-	-	(369,172)	-
Benefit payments, including refunds of member contributions	(454,542)	(451,754)	(463,052)	(561,431)	(630,084)	(657,515)	(658,129)	(733,363)	(691,215)	(710,902)
<b>Net change in total pension liability</b>	316,715	338,206	301,152	337,194	172,254	556,454	186,535	774,686	(116,237)	686,502
<b>Total pension liability - beginning</b>	7,673,639	7,990,354	8,328,560	8,629,712	8,966,906	9,139,160	9,695,614	9,882,149	10,656,835	10,540,598
<b>Total pension liability - ending (a)</b>	<u>\$ 7,990,354</u>	<u>\$ 8,328,560</u>	<u>\$ 8,629,712</u>	<u>\$ 8,966,906</u>	<u>\$ 9,139,160</u>	<u>\$ 9,695,614</u>	<u>\$ 9,882,149</u>	<u>\$ 10,656,835</u>	<u>\$ 10,540,598</u>	<u>\$ 11,227,100</u>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 205,752	\$ 235,630	\$ 224,090	\$ 1,256,166	\$ 95,751	\$ 103,042	\$ 105,197	163,921	167,470	220,466
Contributions - member	111,151	106,033	100,845	96,017	107,798	117,048	121,694	131,029	132,226	154,034
Net investment income	1,066,365	206,620	63,420	905,296	665,271	616,672	380,598	2,546,201	(1,391,243)	865,221
Benefit payments, including refunds of member contributions	(454,542)	(451,754)	(463,052)	(561,431)	(630,084)	(657,515)	(658,129)	(733,363)	(691,215)	(710,902)
Administrative expense	(15,767)	(15,369)	(14,751)	(15,801)	(18,544)	(18,845)	(19,292)	(18,912)	(19,500)	(21,275)
<b>Net change in plan fiduciary net position</b>	912,959	81,160	(89,448)	1,680,247	220,192	160,402	(69,932)	2,088,876	(1,802,262)	507,544
<b>Plan fiduciary net position - beginning</b>	6,521,890	7,434,849	7,516,009	7,426,561	9,106,808	9,327,000	9,487,402	9,417,470	11,506,346	9,704,084
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 7,434,849</u>	<u>\$ 7,516,009</u>	<u>\$ 7,426,561</u>	<u>\$ 9,106,808</u>	<u>\$ 9,327,000</u>	<u>\$ 9,487,402</u>	<u>\$ 9,417,470</u>	<u>\$ 11,506,346</u>	<u>\$ 9,704,084</u>	<u>\$ 10,211,628</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 555,505</u>	<u>\$ 812,551</u>	<u>\$ 1,203,151</u>	<u>\$ (139,902)</u>	<u>\$ (187,840)</u>	<u>\$ 208,212</u>	<u>\$ 464,679</u>	<u>\$ (849,511)</u>	<u>\$ 836,514</u>	<u>\$ 1,015,472</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>										
	93.05%	90.24%	86.06%	101.56%	102.06%	97.85%	95.30%	107.97%	92.06%	90.96%
<b>Covered employee payroll</b>										
	\$ 2,057,520	\$ 2,356,300	\$ 2,240,900	\$ 2,146,170	\$ 2,396,271	\$ 2,605,176	\$ 2,642,983	\$ 2,960,277	\$ 3,025,646	\$ 3,394,085
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>										
	27.00%	34.48%	53.69%	-6.52%	-7.84%	7.99%	17.58%	-28.70%	27.65%	29.92%

#### Notes to Schedule:

This information includes activity for the City and the SADA, a discretely presented component unit.

The accompanying notes and auditor's reports are an integral part of these financial statements.

**Schedules of Required Supplementary Information**  
**OKLAHOMA MUNICIPAL RETIREMENT FUND**  
**SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS**  
**Last 10 Fiscal Years**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarial Determined Employer Contribution	\$ 197,222	\$ 186,667	\$ 165,899	\$ 196,015	\$ 102,561	\$ 105,270	\$ 163,915	\$ 167,586	190,642	162,378
Contributions in relation to the actuarial determined employer contribution	235,630	224,090	1,257,397	95,761	102,910	105,084	162,144	132,351	220,417	220,466
Contribution deficiency (excess)	<u>\$ (38,408)</u>	<u>\$ (37,423)</u>	<u>\$ (1,091,498)</u>	<u>\$ 100,254</u>	<u>\$ (349)</u>	<u>\$ 186</u>	<u>\$ 1,771</u>	<u>\$ 35,235</u>	<u>\$ (29,775)</u>	<u>\$ (58,088)</u>
Utility covered-employee payroll	\$ 2,356,300	\$ 2,240,900	\$ 2,146,170	\$ 2,396,271	\$ 2,609,684	\$ 2,706,175	\$ 2,911,456	\$ 2,941,702	\$ 2,960,277	\$ 3,025,646
Contributions as a percentage of covered-employee payroll	10.00%	10.00%	58.59%	4.00%	3.94%	3.88%	5.57%	4.50%	7.45%	7.29%

**Notes to Schedule:**

1. Latest Valuation Date: July 1, 2023
2. Actuarially determined contribution rate is calculated as of July 1, 2023 and is 6.44%.
3. Methods and assumptions used to determine contribution rates:
  - Actuarial cost method - Entry age normal
  - Amortization method - Level percent of payroll, closed
  - Remaining amortization period - 25 years
  - Asset valuation method - Actuarial:
  - Smoothing period - 4 years
  - Recognition method - Non-asymptotic
  - Corridor - 70% - 130%
  - Salary increases - 4.50% to 7.50% (varies by attained age)
  - Investment rate of return - 7.50%
4. This information includes activity for the City and the SADA, a discretely presented component unit.

**STILWELL AREA DEVELOPMENT AUTHORITY  
SCHEDULE OF FEDERAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

<b>Federal/State Grantor/Pass Thru Agency Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>FEDERAL AWARDS:</b>		
<u>U.S. DEPARTMENT OF THE TREASURY:</u>		
<i>Beneficiary through the Cherokee Nation</i>		
Coronavirus State and Local Fiscal Recovery Funds	21.027	\$ 1,987,033
Total U.S. Department of Treasurer		
<b>Total Federal Award Expenditures</b>		<u><u>\$ 1,987,033</u></u>

**MICHAEL W. GREEN**  
***Certified Public Accountant***  
827 W. Locust Street  
STILWELL, OK. 74960  
**(918) 696-6298**

INDEPENDENT AUDITOR'S 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  
Stilwell Area Development Authority  
Stilwell, Oklahoma

I 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 business-type activities of the Stilwell Area Development Authority (the Authority), a component unit of the City of Stilwell, Oklahoma, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements and have issued my report thereon dated March 11, 2025. The report contains an emphasis-of-matter paragraph (discussed in Note 1) related to the Authority being a component unit of the City of Stilwell.

**Report on Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I 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 Authority'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.

My 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 were not identified. I identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2024-001 and 2024-002 that I 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, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (2024-002).

### **The Authority's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in my audit and described in the accompanying schedule of findings. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Regards,

A handwritten signature in black ink, appearing to read 'Mike Green', with a stylized, cursive script.

Michael Green, CPA  
Stilwell, OK  
March 11, 2025

## **SCHEDULE OF FINDINGS AND RESPONSES**

### **2024-001 Month End Closing**

#### *Repeat Finding*

*Criteria:* One component of an effective internal control system is proper supervisory review and use of control procedures to ensure adequate detail of month end financial close ensuring assets and liabilities are maintained and recorded.

*Condition:* Reconciliations of accounts receivable, inventory, retainage liabilities, construction in process and customer deposits in preparation for year-end financial statements revealed unreconciled differences between the general ledger and the account detail reports.

*Cause and Effect:* Inadequate control over the software and reconciliation to the general ledger caused the unreconciled differences. The differences in accounts receivable, inventory, retainage liabilities and construction in process were adjusted by management.

*Recommendation:* I recommend the Authority review its policies and software utilized to account for the balance sheet items. Monthly reconciliation of inventory, accounts receivable and customer deposit details to the general ledger is a key component to internal control.

*Responsible Official's Response* We disagree with this finding, the staff of SADA and their contract accountants monitor the financial statements monthly, accounts are reconciled on a timely basis, on some occasions those accounts are not adjusted on a monthly basis when the amounts are immaterial and are instead adjusted at year end. We will continue to reconcile all accounts as needed to present accurate financial statements that are not materially misstated.

### **2024-003 Timely Financial Statements and Audit**

*Criteria:* Title 11 O.S. § 17-105-113 and Title 60 § 180.1-.3 of the Oklahoma Statutes requires all audits to be filed with the Oklahoma Office of the State Auditor and Inspector within six months of the year end.

*Condition:* The Authority is not in compliance with State Statutes. The financial statements were not available for audit until after this deadline. These violations create potential issues with funding sources and can create a situation where management decisions are not made based on relevant financial information.

*Cause and Effect:* Inadequate control over the year end closing and financial statement preparation appear to be the cause of this issue.

*Recommendation:* The year-end closing and financial statement preparation should be completed by mid-October each year to allow adequate time to complete the audit.

*Responsible Official's Response:* The staff of SADA began preparation of the books for audit immediately after the fiscal year end, the books were turned over to the audit firm around September 1<sup>st</sup>, of 2024. Request were made to the audit firm to complete the audit prior to December 31, 2024.