

THE KETCHUM PUBLIC WORKS AUTHORITY
KETCHUM, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
The Ketchum Public Works Authority
Ketchum, Oklahoma**

I have audited the accompanying financial statements of the business-type activities of The Ketchum Public Works Authority, Ketchum, Oklahoma, as of and for the year ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise The Ketchum Public Works Authority's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of The Ketchum Public Works Authority, Ketchum, Oklahoma as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The Ketchum Public Works Authority has not presented Management's Discussion and Analysis or budgetary comparison that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement. My opinion on the basic financial statements is not affected by the missing information.

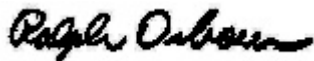
Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and is derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 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 expenditures of federal awards 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 October 8, 2020, on my consideration of The Ketchum Public Works Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 8, 2020

THE KETCHUM PUBLIC WORKS AUTHORITY
KETCHUM, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 3,340,071	\$ 2,850,431
Investments	619,240	649,396
Accrued Interest Receivable	519	519
Prepaid expense	5,254	5,215
Accounts receivable, net	173,772	117,231
Total current assets	<u>4,138,856</u>	<u>3,622,792</u>
Restricted assets:		
Restricted investments	104,760	74,604
Utility Deposits	65	65
Total restricted assets	<u>104,825</u>	<u>74,669</u>
Non-current assets:		
Capital assets:		
Land	323,666	310,915
Other capital assets, net of accumulated depreciation	6,072,249	3,141,627
Total non-current assets	<u>6,395,915</u>	<u>3,452,542</u>
Total assets	<u>10,639,596</u>	<u>7,150,003</u>
Deferred outflow of resources:		
Deferred charges on pension obligations	<u>78,287</u>	<u>75,505</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	911,439	36,482
Accrued compensated absences	261,021	138,807
Payroll liabilities	-	12,636
Accrued interest payable	1,246	1,291
Meter deposits payable	194,989	192,511
Due to volunteer fire department	-	2,303
Notes payable, current	49,639	47,324
Total current liabilities	<u>1,418,334</u>	<u>431,354</u>
Non-current liabilities:		
Pension Obligation	35,668	51,686
Notes payable, non-current	3,000,349	875,975
Total non-current liabilities	<u>3,036,017</u>	<u>927,661</u>
Total liabilities	<u>4,454,351</u>	<u>1,359,015</u>
Deferred inflow of resources:		
Deferred charges on pension obligations	<u>38,310</u>	<u>38,310</u>
 NET POSITION		
Invested in Capital Assets, Net of Related Debt	3,345,927	2,527,952
Restricted for debt service	104,760	74,604
Restricted for utility deposit	65	65
Reserved for meter deposits	200,000	200,000
Unassigned	2,574,470	3,025,562
Net Position	<u>\$ 6,225,222</u>	<u>\$ 5,828,183</u>

See accompanying notes to financial statements.

THE KETCHUM PUBLIC WORKS AUTHORITY
KETCHUM, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

<u>OPERATING REVENUES</u>	<u>2020</u>	<u>2019</u>
Water revenue	\$ 1,724,548	\$ 1,678,711
Sewer revenue	82,341	81,707
Penalties	19,819	25,447
Taps and connection fees	26,950	25,595
Vinita Utilities Authority	84,000	82,000
KVFD Assessment fees	28,106	27,848
Other revenue	<u>20,841</u>	<u>8,158</u>
 Total operating revenues	 <u>1,986,605</u>	 <u>1,929,466</u>
 <u>OPERATING EXPENSES</u>		
Auto, Truck and Equipment Expenses	16,023	45,216
Advertising and Publications	-	-
Chemicals	73,981	64,668
Depreciation Expense	235,309	270,350
Engineering	-	13,379
Insurance	20,256	30,985
Laboratory tests, permits and dues	22,309	14,086
Legal and accounting	18,397	14,028
Office supplies and expenses	36,436	20,686
Taps and bores	-	-
Repairs and replacements	92,386	95,411
Health Insurance	136,993	129,896
Retirement	78,287	75,505
Salaries and taxes	586,017	548,855
Training	966	1,185
Uniforms	6,615	6,683
Utilities and telephone	131,054	113,411
KVFD Expenses	28,081	-
Misc	6,197	3,759
Water purchases	<u>35,929</u>	<u>33,798</u>
 Total operating expenses	 <u>1,525,236</u>	 <u>1,481,901</u>
 Operating income (loss)	 <u>461,369</u>	 <u>447,565</u>
 <u>NON-OPERATING REVENUE (EXPENSES)</u>		
Investment income	18,027	18,293
Interest on notes payable and fiscal fees	(82,357)	(45,412)
Grant	-	-
 Total non-operating revenue (expenses)	 <u>(64,330)</u>	 <u>(27,119)</u>
 Net income (loss)	 397,039	 420,446
 Total net assets, beginning	 <u>5,828,183</u>	 <u>5,407,737</u>
 Total net assets, ending	 <u>\$ 6,225,222</u>	 <u>\$ 5,828,183</u>

See accompanying notes to financial statements.

THE KETCHUM PUBLIC WORKS AUTHORITY
KETCHUM, OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Cash received from customers	\$ 1,989,083	\$ 1,968,290
Cash paid to employees	(16,023)	(705,228)
Cash payments to suppliers for goods and services	(367,096)	(448,860)
Net cash provided (used) by operating activities	1,605,964	814,202
Cash flows from capital and related financing activities		
Purchase of capital assets	(3,178,682)	(74,655)
Proceeds from loan	2,175,600	-
Interest paid on notes payable	(82,357)	(45,032)
Principal paid on notes payable	(48,912)	(48,494)
Grant	-	-
Net cash (used) by capital and related financing activities	(1,134,351)	(168,181)
Cash flows from investing activities		
Receipt of interest and dividends	18,027	18,224
Transfer to investments	-	-
Net cash provided (used) by investing activities	18,027	18,224
Net increase in cash and cash equivalents	489,640	664,245
Cash and cash equivalents, beginning	2,850,431	2,186,186
Cash and cash equivalents, ending	\$ 3,340,071	\$ 2,850,431
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities		
Operating income (loss)	\$ 442,572	\$ 447,565
Depreciation	235,309	270,350
(Increase)/Decrease in Current Assets		
Accounts receivables, net	(56,541)	35,885
Prepaid expenses	(39)	(204)
Increase/(Decrease) in Current Liabilities		
Accounts payable	874,957	8,644
Accrued compensated absences	122,214	53,411
Accrued payroll liabilities	(12,636)	(4,383)
Accrued interest payable	(45)	-
Meter deposits	2,478	2,939
Due to volunteer fire dept	(2,303)	(5)
Net cash provided by operating activities	\$ 1,605,964	\$ 814,202

See accompanying notes to financial statements.

THE KETCHUM PUBLIC WORKS AUTHORITY
KETCHUM, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ketchum Public Works Authority, Ketchum, Oklahoma (the "Authority") was established as a public trust on behalf of the Town of Ketchum, Oklahoma as the beneficiary. The trust is to furnish and supply to the inhabitants, owners, and occupants of property, and to industrial, commercial and mercantile establishments and enterprises within the corporate proximity thereto, and to the beneficiary and other governmental agencies, utility services and facilities for all purposes. The trust is to conduct all business related to providing necessary physical facilities; to fix and collect fees for the services provided, to arrange financing for the required fund and to conduct all business necessary for normal operations to the Authority. The Authority has provided and is currently operating a water works and distribution system and a sewer system.

Government-Wide and Fund Financial Statements

The Authority is a special purpose governmental entity engaged only in business type activities. The Authority prepares financial statements required for enterprise funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The financial statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported in financial statements include revenues and expenses related to the primary, continuing operations of the Authority. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

FUND TYPES AND MAJOR FUNDS

The Authority reports all activity within a single fund.

Accounts Receivable

Accounts receivable consists of primarily of charges for water sales and sewer services. Management considers the accounts to be fully collectible.

THE KETCHUM PUBLIC WORKS AUTHORITY
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JUNE 30, 2020 AND 2019

Prepaid Expenses

Prepaid expenses represent the unexpired premiums on general liability and workman's compensation insurance policies.

Investments

The Authority follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Authority considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Investment reported in the financial statements are certificate of deposits.

Capital Assets, Depreciation, and Amortization

The Authority's property, plant, equipment, and infrastructure with useful lives of more than one year and costing more than \$500 are stated at historical cost or at estimated historical cost for those items not previously reported. The Authority maintains infrastructure assets records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The Authority generally capitalizes assets with as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method with one-half year depreciation in the year acquired and one-half in the year of disposal. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	20 - 50 years
Water and sewer system	20 - 50 years
Machinery, and equipment	5 - 10 years
Improvements	10 - 20 years

Compensated Absences

Full-time employees receive twenty-five days of paid time off per year. Paid time off can be accumulated up to a maximum of 120 days.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Restricted net assets represent tentative plans for future use of financial resources.

THE KETCHUM PUBLIC WORKS AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Authority will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority, and are held by counterparty or the counterparty's trust department but not in the name of the Authority. The Authority's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2020, all of the Authority's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Authority had deposits at financial institutions with a carrying amount of approximately \$4,064,136 at June 30, 2020. The bank balance of the deposits at June 30, 2020 was approximately \$4,099,681

The Authority had deposits at financial institutions with a carrying amount of approximately \$3,574,431 at June 30, 2019. The bank balance of the deposits at June 30, 2020 was approximately \$3,603,577.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at June 30, 2020.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Authority's interest rate risk. As of June 30, 2020, the Authority's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
Water Distribution System	\$ 8,876,271	\$3,160,125	\$ -	\$12,036,396
Buildings	112,425	-	-	112,425
Equipment & Fixtures	745,425	5,806	-	751,432
Land	310,915	12,751	-	323,666
Total Capital Assets	\$10,045,237	\$3,178,682	\$ -	\$13,223,919
Depreciation	(6,592,695)	(235,309)	-	(6,828,004)
Total Net Capital Assets	<u>\$ 3,452,542</u>	<u>\$2,943,373</u>	<u>\$ -</u>	<u>\$ 6,395,915</u>

THE KETCHUM PUBLIC WORKS AUTHORITY
KETCHUM, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE D - NOTES PAYABLE PROPRIETARY FUND

A brief description of the outstanding notes payable at June 30, 2020 is set forth below:

BancFirst interim loan in the original loan amount of \$14,386,000, interest rate of 4.25%, term of 2 years, interest payments to be made until refinanced with Rural Development once the loan closes. As of June 30, 2020, only \$2,175,600 has been drawn down.	2,175,600
USDA, Rural Development loan #91-14 in the original loan amount of \$94,400, interest rate of 5.00%, term of 40 years, monthly installment of \$464.00.	38,237
USDA, Rural Development loan #91-16 in the original loan amount of \$572,000, interest rate of 5.00%, term of 40 years, monthly installment of \$2,809.00.	340,985
USDA, Rural Development loan #91-18 in the original loan amount of \$214,000, interest rate of 5.25%, term of 40 years, monthly installment of \$1,085.00.	130,354
USDA, Rural Development loan #91-20 in the original loan amount of \$244,200, interest rate of 4.50%, term of 40 years, monthly installment of \$1,099.00.	142,684
USDA, Rural Development loan #92-12 in the original loan amount of \$51,900, interest rate of 5.00%, term of 40 years, monthly installment of \$255.00.	12,676
USDA, Rural Development loan #92-21 in the original loan amount of \$133,600, interest rate of 3.25%, term of 40 years, monthly installment of \$505.00.	86,377
Oklahoma State Bank mortgage note in the original amount of \$201,655 to finance a water line extension, interest rate of 4.7%, term of 239 months, monthly installments of \$1,305.39.	<u>123,075</u>
TOTAL	<u>\$ 3,049,988</u>

Changes in long-term debt is as follows:

	Balance			Balance
	June 30, 2019	Additions	Retirements	June 30, 2020
BancFirst	\$ -	\$ 2,175,600	\$ -	\$ 2,175,600
Rural Development	789,253	-	(37,940)	751,313
Oklahoma State Bank	134,047	-	(10,972)	123,075
	<u>\$ 923,300</u>	<u>\$ 2,175,600</u>	<u>\$ (48,912)</u>	<u>\$ 3,049,988</u>

THE KETCHUM PUBLIC WORKS AUTHORITY
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Following is the anticipated annual debt service amounts for principal payments.

<u>Year Ended October 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2021	\$ 49,639	\$ 40,630	\$ 90,269
2022	2,227,668	38,201	2,265,869
2023	54,617	35,652	90,269
2024	57,291	32,978	90,269
2025	59,121	30,383	89,504
2026-2030	320,762	106,931	427,693
2031-2035	258,986	35,834	294,820
2036-2040	<u>21,904</u>	<u>3,851</u>	<u>25,755</u>
Total	<u>\$ 3,049,988</u>	<u>\$ 324,460</u>	<u>\$ 3,374,448</u>

NOTE E - RESTRICTED ASSETS

USDA RURAL DEVELOPMENT

The Loan Resolution Security Agreements with the USDA Rural Development requires a reserve fund to be funded at 10% of the monthly installment until the balance is equal to the annual installment amount (\$8,730 X 12 = \$104,760). At June 30, 2020, the total balance in the debt service reserve accounts at Oklahoma State Bank, Langley, Oklahoma was \$124,000.

Debt Service Reserve Account	\$124,000
Less: Excess Funds	<u>(19,240)</u>
Net Required Reserve	<u>\$104,760</u>

NOTE F - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority carries commercial insurance for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE G - VINITA UTILITIES AUTHORITY

The Authority entered into an interlocal operating agreement with Vinita Utilities Authority where The Ketchum Public Works Authority agreed to direct, supervise, and train Vinita Utilities Authority employees for an agreed upon fee of \$6,000 per month. The fee was increased to \$7,000 per month beginning in September 2018.

THE KETCHUM PUBLIC WORKS AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE H - PENSION PLAN

Plan Description

The Authority participates in Oklahoma Public Employees Retirement Plan a cost sharing multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Title 74 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPERS. OPERS issues a publicly available financial report that can be obtained at www.opers.ok.gov.

Benefits Provided

OPERS provides retirement, disability, and death benefits to members of the plan. Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Benefits are calculated for each member category as follows:

Employees

Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the addition contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit options became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible for Medicare.

THE KETCHUM PUBLIC WORKS AUTHORITY
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After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.

Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the member's contributions may be withdrawn upon termination of employment.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Upon the death of a retired member, the Plan will pay a \$5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

Contributions - The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Employees are required to contribute 3.5% percent of their annual pay. Participating entities are required to contribute 16.5% of the employees' annual pay. Contributions to the pension plan from the Authority were \$78,287.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions- At June 30, 2020, the Authority reported a liability of \$35,668 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Authority's proportion of the net pension liability was based on the Authority's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information, the Authority's proportion was 0.02678%.

THE KETCHUM PUBLIC WORKS AUTHORITY
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For the year ended June 30, 2020, the Authority recognized pension expense of \$78,287. At June 30, 2020, 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
Difference between expected and actual experience	\$ -	\$ 8,393
Net difference between projected and actual earnings on pension plan investments	-	10,762
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	19,155
Authority contributions subsequent to the measurement date	<u>78,287</u>	<u>-</u>
Total	<u>\$ 78,287</u>	<u>\$ 38,310</u>

The \$78,287 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 in the year ended July 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended June 30		
2021	\$	(24,351)
2022		(1,104)
2023		5,372

THE KETCHUM PUBLIC WORKS AUTHORITY
 KETCHUM, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 AND 2019

Actuarial Assumptions-The total pension liability as of June 30, 2019, was determined based on an actuarial valuation prepared as of July 1, 2019, using the following actuarial assumption:

- Investment return - 7.00% compounded annually net of investment expense and including inflation
- Salary increases - 3.5% to 9.5% per year including inflation
- Mortality rates - Active participants and nondisabled pensioners - RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- No annual post-retirement benefit increases
- Assumed inflation rate - 2.75%
- Payroll growth - 3.5% per year
- Actuarial cost method - Entry age
- Select period for the termination of employment assumptions - 10 years

The actuarial assumptions used in the July 1, 2019, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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.

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equity	38.0%	3.8%
U.S. Small Cap Equity	6.0%	4.9%
Non-US Equity	24.0%	9.2%
US Fixed	32.0%	1.4%
Total	<u>100.0%</u>	

Discount Rate- The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

THE KETCHUM PUBLIC WORKS AUTHORITY
 KETCHUM, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 AND 2019

Sensitivity of the Net Pension Liability to Changes in the Discount Rate- The following presents the net pension liability of the employers calculated using the discount rate of 7.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1- percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Employers' net pension liability (asset)	\$ 322,492	\$ 35,668	\$ 207,505

Pension plan fiduciary net position- Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPERS; which can be located at www.opers.ok.gov.

NOTE I - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 8, 2020, the date on which the financial statements were available to be issued.

The Authority approved a loan resolution security agreement authorizing and providing for the incurrence of indebtedness in the principal amount of \$9,357,000 and accepting the terms of a grant in the amount of \$2,643,000 from the United States Department of Agriculture Rural Development.

The Authority approved a loan resolution security agreement authorizing and providing for the incurrence of indebtedness in the principal amount of \$4,734,000 and accepting the terms of a grant in the amount of \$996,000 from the United States Department of Agriculture Rural Development.

As of June 30, 2020, the Authority has drawn down \$2,175,600 from BancFirst. Once the Rural Development loan closes, the BancFirst interim loan will be refinanced into the Rural Development loan.

THE KETCHUM PUBLIC WORKS AUTHORITY
 ANNUAL FINANCIAL STATEMENTS
 As of and for the Year Ended June 30, 2019

Schedules of Required Supplementary Information
 SCHEDULE OF THE KETCHUM PUBLIC WORKS AUTHORITY PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
 Last 10 Fiscal Years*

	2014	2015	2016	2017	2018	2019
Proportion of the net pension liability	.0253%	.01613%	.0351%	.0243%	.0265%	.0268%
Proportionate share of the net pension liability	\$46,441	\$58,017	\$348,247	\$131,381	\$51,686	\$35,668
Covered-employee payroll	\$440,071	\$429,608	\$442,418	\$504,631	\$411,759	\$474,467
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.55%	13.50%	28.71%	26.03%	12.55%	7.51%
Plan fiduciary net position as a percentage of the total pension liability	97%	96%	89.48%	94.28%	97.96%	

*The amount present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only six fiscal years are presented because 10-year data is not yet available.

Schedules of Required Supplementary Information
 SCHEDULE OF THE KETCHUM PUBLIC WORKS AUTHORITY CONTRIBUTIONS
 OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Last 10 Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$62,139	\$71,201	\$81,829	\$72,663	\$75,416	\$73,879	\$75,505	\$78,287
Contribution in relation to the Actuarially determined contribution	\$62,139	\$71,201	\$81,829	\$72,663	\$75,416	\$73,879	\$75,505	\$78,287
Contribution deficiency (excess)	_____	_____	_____	_____	_____	_____	_____	_____
Covered-employee payroll	\$394,115	\$440,071	\$429,608	\$442,418	\$504,631	\$411,759	\$474,467	\$480,884
Contribution as a percentage of covered-employee payroll	15.76	16.18	19.00	16.42	14.94	17.94	15.91	16.28

Notes to Schedule:

Only eight fiscal years are presented because 10-year data is not yet available.

THE KETCHUM PUBLIC WORKS AUTHORITY
 KETCHUM, OKLAHOMA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2020 AND 2019

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA#</u>	<u>Grantor's Number</u>	<u>Approved Amount</u>	<u>Expenditures*</u>
U.S. Department of Agriculture				
Water and Waste Disposal System for Rural Communities	10.760		\$2,175,600	\$2,175,600
Total U.S. Department of Agriculture			<u>2,175,600</u>	<u>2,175,600</u>
Total Expenditures of Federal Awards			<u>\$2,175,600</u>	<u>\$2,175,600</u>

Note 1 - * Represents federal share of expenditures only.

Note 2 - This schedule is prepared using the accrual basis of accounting described in Note 1.

Note 3 - The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

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 Directors
The Ketchum Public Works Authority
Ketchum, Oklahoma

I have audited, 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, the financial statements of the business-type activities of The Ketchum Public Works Authority, Ketchum, Oklahoma, as of and for the year ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise The Ketchum Public Works Authority's basic financial statements and have issued my report thereon dated October 8, 2020 which included a qualified opinion on pension reporting and did not include Management's Discussion and Analysis or budgetary comparison.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered The Ketchum Public Works Authority's internal control over financial reporting (internal control) to determine the 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 Ketchum Public Works

Authority's internal control. Accordingly, I do not express an opinion of the effectiveness of The Ketchum Public Works 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

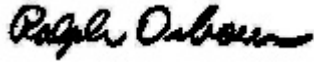
Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Ketchum Public Works Authority, Ketchum, Oklahoma's financial statements are free of 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

A handwritten signature in cursive script that reads "Ralph Osborn".

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 8, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors
The Ketchum Public Works Authority
Ketchum, Oklahoma

Report on Compliance for Each Major Federal Program

I have audited The Ketchum Public Works Authority, Oklahoma (Organization) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as I considered necessary in the circumstance.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In my opinion, The Ketchum Public Works Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of The Ketchum Public Works Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of The Ketchum Public Works Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 8, 2020

THE KETCHUM PUBLIC WORKS AUTHORITY
 KETCHUM, OKLAHOMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2020 AND 2019

Section I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency identified that is not considered to be material weakness(es)? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material Weakness(es) identified? Yes No

Significant deficiency identified that is not considered to be material weakness(es)? Yes None Reported

Type of auditor's report issued on compliance to major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance Yes No

Programs tested as Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.760</u>	<u>Waster and Waste Disposal System for Rural Comminutes</u>

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

There were no findings noted.