

THE KETCHUM PUBLIC WORKS AUTHORITY  
KETCHUM, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2021

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**INDEPENDENT AUDITORS' REPORT**

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

**Report on Financial Statements**

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, 2021 and 2020, 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, 2021 and 2020, 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 February 10, 2021, 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  
February 10, 2021

THE KETCHUM PUBLIC WORKS AUTHORITY  
KETCHUM, OKLAHOMA  
STATEMENT OF NET POSITION  
JUNE 30, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 3,819,015	\$ 3,340,071
Investments	641,052	619,240
Accrued Interest Receivable	519	519
Prepaid expense	4,839	5,254
Accounts receivable, net	<u>219,260</u>	<u>173,772</u>
Total current assets	<u>4,684,685</u>	<u>4,138,856</u>
Restricted assets:		
Restricted investments	82,948	104,760
Utility Deposits	<u>65</u>	<u>65</u>
Total restricted assets	<u>83,013</u>	<u>104,825</u>
Non-current assets:		
Capital assets:		
Land	396,075	323,666
Other capital assets, net of accumulated depreciation	<u>17,503,986</u>	<u>6,072,249</u>
Total non-current assets	<u>17,900,061</u>	<u>6,395,915</u>
Total assets	<u>22,667,759</u>	<u>10,639,596</u>
Deferred outflow of resources:		
Deferred charges on pension obligations	<u>77,252</u>	<u>78,287</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	380,603	911,439
Accrued compensated absences	132,237	261,021
Payroll liabilities	-	-
Accrued interest payable	6,642	1,246
Meter deposits payable	200,006	194,989
Due to volunteer fire department	-	-
Notes payable, current	<u>304,711</u>	<u>49,639</u>
Total current liabilities	<u>1,024,199</u>	<u>1,418,334</u>
Non-current liabilities:		
Pension Obligation	303,818	35,668
Notes payable, non-current	<u>14,802,775</u>	<u>3,000,349</u>
Total non-current liabilities	<u>15,106,593</u>	<u>3,036,017</u>
Total liabilities	<u>16,130,792</u>	<u>4,454,351</u>
Deferred inflow of resources:		
Deferred charges on pension obligations	<u>2,600</u>	<u>38,310</u>
 NET POSITION		
Invested in Capital Assets, Net of Related Debt	2,792,575	3,345,927
Restricted for debt service	82,948	104,760
Restricted for utility deposit	65	65
Reserved for meter deposits	200,006	200,000
Unassigned	<u>3,769,500</u>	<u>2,574,470</u>
Net Position	<u>\$ 6,845,094</u>	<u>\$ 6,225,222</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, 2021 AND 2020

<u>OPERATING REVENUES</u>	<u>2021</u>	<u>2020</u>
Water revenue	\$ 1,859,493	\$ 1,724,548
Sewer revenue	81,582	82,341
Penalties	21,206	19,819
Taps and connection fees	37,878	26,950
Vinita Utilities Authority	12,600	84,000
KVFD Assessment fees	28,546	28,106
Other revenue	<u>7,650</u>	<u>20,841</u>
 Total operating revenues	 <u>2,048,955</u>	 <u>1,986,605</u>
 <u>OPERATING EXPENSES</u>		
Auto, Truck and Equipment Expenses	17,660	16,023
Advertising and Publications	90	-
Chemicals	81,569	73,981
Depreciation Expense	196,018	235,309
Engineering	-	-
Insurance	37,566	20,256
Laboratory tests, permits and dues	7,058	22,309
Legal and accounting	7,461	18,397
Office supplies and expenses	36,668	36,436
Taps and bores	-	-
Repairs and replacements	99,343	92,386
Health Insurance	138,616	136,993
Retirement	77,252	78,287
Salaries and taxes	419,589	586,017
Training	966	966
Uniforms	7,352	6,615
Utilities and telephone	128,685	131,054
KVFD Expenses	30,653	28,081
Misc	2,674	6,197
Water purchases	<u>39,741</u>	<u>35,929</u>
 Total operating expenses	 <u>1,328,961</u>	 <u>1,525,236</u>
 Operating income (loss)	 <u>719,994</u>	 <u>461,369</u>
 <u>NON-OPERATING REVENUE (EXPENSES)</u>		
Investment income	4,910	18,027
Interest on notes payable and fiscal fees	(105,032)	(82,357)
Grant	<u>-</u>	<u>-</u>
 Total non-operating revenue (expenses)	 <u>(100,122)</u>	 <u>(64,330)</u>
 Net income (loss)	 619,872	 397,039
 Total net assets, beginning	 <u>6,225,222</u>	 <u>5,828,183</u>
 Total net assets, ending	 <u>\$ 6,845,094</u>	 <u>\$ 6,225,222</u>

See accompanying notes to financial statements.

THE KETCHUM PUBLIC WORKS AUTHORITY  
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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from customers	\$ 2,053,972	\$ 1,989,083
Cash paid to employees	(17,660)	(16,023)
Cash payments to suppliers for goods and services	<u>(1,814,580)</u>	<u>(367,096)</u>
Net cash provided (used) by operating activities	<u>221,732</u>	<u>1,605,964</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(11,700,164)	(3,178,682)
Proceeds from loan	14,325,892	2,175,600
Interest paid on notes payable	(105,032)	(82,357)
Principal paid on notes payable	(2,268,394)	(48,912)
Grant	<u>-</u>	<u>-</u>
Net cash (used) by capital and related financing activities	<u>252,302</u>	<u>(1,134,351)</u>
Cash flows from investing activities		
Receipt of interest and dividends	4,910	18,027
Change in Restricted Investments	21,812	-
Transfer to investments	<u>(21,812)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>4,910</u>	<u>18,027</u>
Net increase in cash and cash equivalents	478,944	489,640
Cash and cash equivalents, beginning	<u>3,340,071</u>	<u>2,850,431</u>
Cash and cash equivalents, ending	<u>\$ 3,819,015</u>	<u>\$ 3,340,071</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities		
Operating income (loss)	\$ 719,994	\$ 442,572
Depreciation	196,018	235,309
(Increase)/Decrease in Current Assets		
Accounts receivables, net	(45,488)	(56,541)
Prepaid expenses	415	(39)
Increase/(Decrease) in Current Liabilities		
Accounts payable	(530,836)	874,957
Accrued compensated absences	(128,784)	122,214
Accrued payroll liabilities	-	(12,636)
Accrued interest payable	5,396	(45)
Meter deposits	5,017	2,478
Due to volunteer fire dept	<u>-</u>	<u>(2,305)</u>
Net cash provided by operating activities	<u>\$ 221,732</u>	<u>\$ 1,605,964</u>

See accompanying notes to financial statements.

THE KETCHUM PUBLIC WORKS AUTHORITY  
KETCHUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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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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  
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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, 2021, 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 \$4,543,080 at June 30, 2021. The bank balance of the deposits at June 30, 2021 was approximately \$4,386,449.

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.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at June 30, 2021.

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, 2021, 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, 2020	Additions	Retirements	Balance June 30, 2021
Water Distribution System	\$12,036,396	\$11,566,311	\$ -	\$23,602,707
Buildings	112,425	-	-	112,425
Equipment & Fixtures	751,432	61,444	-	812,876
Land	323,666	72,409	-	396,075
Total Capital Assets	\$13,223,919	\$11,700,164	\$ -	\$24,924,083
Depreciation	(6,828,004)	(196,018)	-	(7,024,022)
Total Net Capital Assets	<u>\$ 6,395,915</u>	<u>\$11,504,146</u>	<u>\$ -</u>	<u>\$17,900,061</u>

THE KETCHUM PUBLIC WORKS AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
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NOTE D - NOTES PAYABLE PROPRIETARY FUND

A brief description of the outstanding notes payable at June 30, 2021 is set forth below:

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.	10,194
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.	34,496
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.	323,941
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.	124,027
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.	135,775
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.	83,076
USDA, Rural Development loan #91-23 in the original loan amount of \$9,652,000, interest rate of 1.75%, term of 40 years, monthly installment of \$27,991.00.	9,624,226
USDA, Rural Development loan #91-25 in the original loan amount of \$4,734,600, interest rate of 1.75%. As of June 30, 2021, only \$4,673,892.37 has been drawn down.	4,658,037
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>113,714</u>
TOTAL	<u>\$15,107,486</u>

Changes in long-term debt is as follows:

	Balance <u>June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2021</u>
BancFirst	\$ 2,175,600	\$ -	\$(2,175,600)	\$ -
Rural Development	751,313	14,325,892	(83,433)	14,993,772
Oklahoma State Bank	<u>123,075</u>	<u>-</u>	<u>(9,361)</u>	<u>113,714</u>
	<u>\$ 3,049,988</u>	<u>\$14,325,892</u>	<u>\$(2,268,394)</u>	<u>\$15,107,486</u>

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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>
2022	\$ 304,711	\$ 286,197	\$ 590,908
2023	311,717	279,191	590,908
2024	318,928	271,981	590,909
2025	325,330	265,579	590,909
2026	330,822	257,027	587,849
2027-2031	1,742,167	1,170,276	2,912,443
2032-2036	1,768,523	1,004,641	2,773,164
2037-2041	1,719,461	807,979	2,527,440
2042-2046	1,856,492	646,708	2,503,200
2047-2051	2,026,124	477,076	2,503,200
2052-2056	2,211,257	291,943	2,503,200
2057-2061	2,191,954	311,246	2,503,200
Total	<u>\$15,107,486</u>	<u>\$6,069,844</u>	<u>\$21,177,330</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 (\$6,912 X 12 = \$82,948). At June 30, 2021, 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>(41,052)</u>
Net Required Reserve	<u>\$ 82,948</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.

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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](http://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.

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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 \$77,252.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions- At June 30, 2021, the Authority reported a liability of \$237,982 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2020. Based upon this information, the Authority's proportion was 0.02667%.

THE KETCHUM PUBLIC WORKS AUTHORITY  
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 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021 AND 2020

For the year ended June 30, 2021, the Authority recognized pension expense of \$77,252. At June 30, 2021, 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	\$ 85,005	\$ 1,300
Net difference between projected and actual earnings on pension plan investments	28,278	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	113,283	1,300
Authority contributions subsequent to the measurement date	<u>77,252</u>	<u>-</u>
Total	<u>\$ 303,818</u>	<u>\$ 2,600</u>

The \$77,252 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, 2021. 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	\$ 45,597
2022	36,956
2023	17,390

Actuarial Assumptions-The total pension liability as of June 30, 2020, was determined based on an actuarial valuation prepared as of July 1, 2020, using the following actuarial assumption:

- Investment return - 6.50% for 2020 and 7.00% in 2019 compounded annually net of investment expense and including inflation.
- Salary increases - 3.5% to 9.25% for 2020 and 3.5% to 9.5% for 2019.
- Mortality rates - In 2020, Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are set back one year, and female rates are set forward one year.
- No annual post-retirement benefit increases
- Assumed inflation rate - 2.50% for 2020 and 2.75% in 2019.
- Payroll growth - 3.25% for 2020 and 3.5% for 2019.
- Actuarial cost method - Entry age
- Select period for the termination of employment assumptions - 10 years

THE KETCHUM PUBLIC WORKS AUTHORITY  
 KETCHUM, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021 AND 2020

The actuarial assumptions used in the July 1, 2020, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2019.

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, 2020, 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	34.0%	4.7%
U.S. Small Cap Equity	6.0%	5.8%
Int's Developed Equity	23.0%	6.5%
Emerging Market Equity	5.0%	8.5%
Core Fixed Income	25.0%	0.5%
Long Term Treasuries	3.5%	0.0%
US TIPS	3.5%	0.3%
Total	<u>100.0%</u>	

Discount Rate- The discount rate used to measure the total pension liability was 6.50%. 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.

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 6.50%, 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 (5.50%) or 1- percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Employers' net pension liability (asset)	\$ 560,230	\$ 237,982	\$ (34,313)

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](http://www.opers.ok.gov).

THE KETCHUM PUBLIC WORKS AUTHORITY  
KETCHUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE I - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 10, 2021, 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 \$4,734,600. As of June 30, 2021, the Authority has drawn down \$4,673,892.37 from Rural Development.



THE KETCHUM PUBLIC WORKS AUTHORITY  
 ANNUAL FINANCIAL STATEMENTS  
 As of and for the Year Ended June 30, 2021

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	2020
Proportion of the net pension liability	.0253%	.01613%	.0351%	.0243%	.0265%	.0268%	.0267
Proportionate share of the net pension liability	\$46,441	\$58,017	\$348,247	\$131,381	\$51,686	\$35,668	\$237,982
Covered-employee payroll	\$440,071	\$429,608	\$442,418	\$504,631	\$411,759	\$474,467	\$480,884
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.55%	13.50%	78.71%	26.03%	12.55%	7.51%	49.49%
Plan fiduciary net position as a percentage of the total pension liability	97%	96%	89.48%	94.28%	97.96%	98.63%	91.59%

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

Notes to Schedule:

Only seven 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  
 As of and for the Year Ended June 30, 2021

Last 10 Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$62,139	\$71,201	\$81,829	\$72,663	\$75,416	\$73,879	\$75,505	\$78,287	\$77,252
Contribution in relation to the Actuarially determined contribution	\$62,139	\$71,201	\$81,829	\$72,663	\$75,416	\$73,879	\$75,505	\$78,287	\$77,252
Contribution deficiency (excess)	_____	_____	_____	_____	_____	_____	_____	_____	_____
Covered-employee payroll	\$394,115	\$440,071	\$429,608	\$442,418	\$504,631	\$411,759	\$474,467	\$480,884	\$468,192
Contribution as a percentage of covered-employee payroll	15.76	16.18	19.00	16.42	14.94	17.94	15.91	16.28	16.50

Notes to Schedule:

Only nine 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, 2021 AND 2020

<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		\$14,325,892	\$14,325,892
Total U.S. Department of Agriculture			<u>14,325,892</u>	<u>14,325,892</u>
Total Expenditures of Federal Awards			<u>\$14,325,892</u>	<u>\$14,325,892</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, 2021 and 2020, 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 February 10, 2021 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  
February 10, 2021

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, 2021.

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  
February 10, 2021

THE KETCHUM PUBLIC WORKS AUTHORITY  
 KETCHUM, OKLAHOMA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 JUNE 30, 2021 AND 2020

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

CFDA Number(s)

Name of Federal Program or Cluster

10.760

Waster and Waste Disposal System for Rural Comminutes

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.