

THE KETCHUM PUBLIC WORKS AUTHORITY
KETCHUM, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2024

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Ketchum Public Works Authority
Ketchum, Oklahoma

OPINION

We have audited the accompanying financial statements of the business-type activities of The Ketchum Public Works Authority, Ketchum, Oklahoma, which comprise the balance sheet as of and for the year ended June 30, 2024, and the related statements of income, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Ketchum Public Works Authority, Ketchum, Oklahoma as of June 30, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Ketchum Public Works Authority, Ketchum, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence We have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ketchum Public Works Authority, Ketchum, Oklahoma's ability to continue as a going concern for twelve months beyond the financial statement date.

AUDITOR'S RESPONSIBILITY for the AUDIT of the FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Ketchum Public Works Authority, Ketchum, Oklahoma 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ketchum Public Works Authority, Ketchum, Oklahoma's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that We identified during the audit.

Other Matters

Required Supplementary Information

The Authority has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, We have also issued our report dated September 12, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Ralph Osborn, CPA LLP

Ralph Osborn, CPA LLP
Bristow, Oklahoma
September 12, 2024

THE KETCHUM PUBLIC WORKS AUTHORITY
KETCHUM, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2024 AND 2023

ASSETS	<u>2024</u>	Memo Only <u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 1,401,569	\$ 2,506,774
Investments	1,841,464	891,528
Accrued Interest Receivable	519	519
Prepaid expense	12,003	9,316
Accounts receivable, net	<u>197,626</u>	<u>184,096</u>
Total current assets	<u>3,453,181</u>	<u>3,592,233</u>
Restricted assets:		
Restricted investments	158,536	108,472
Utility Deposits	<u>65</u>	<u>65</u>
Total restricted assets	<u>158,601</u>	<u>108,537</u>
Non-current assets:		
Capital assets:		
Land	445,489	396,075
Other capital assets, net of accumulated depreciation	<u>19,390,358</u>	<u>19,560,295</u>
Total non-current assets	<u>19,835,847</u>	<u>19,956,370</u>
Total assets	<u>23,447,629</u>	<u>23,657,140</u>
Deferred outflow of resources:		
Deferred charges on pension obligations	<u>80,383</u>	<u>78,192</u>
LIABILITIES		
Current liabilities:		
Accounts payable	31,876	122,653
Accrued compensated absences	122,282	142,483
Payroll liabilities	-	-
Accrued interest payable	5,206	5,306
Meter deposits payable	213,594	210,749
Due to volunteer fire department	-	-
Notes payable, current	<u>266,252</u>	<u>261,636</u>
Total current liabilities	<u>639,210</u>	<u>742,827</u>
Non-current liabilities:		
Pension Obligation	215,870	302,060
Notes payable, non-current	<u>13,307,687</u>	<u>13,574,670</u>
Total non-current liabilities	<u>13,523,557</u>	<u>13,876,730</u>
Total liabilities	<u>14,162,767</u>	<u>14,619,557</u>
Deferred inflow of resources:		
Deferred charges on pension obligations	<u>1,917</u>	<u>9,778</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	6,261,908	6,120,064
Restricted for debt service	500,640	500,598
Restricted for utility deposit	65	65
Reserved for meter deposits	213,594	210,749
Unassigned	<u>2,524,525</u>	<u>2,508,167</u>
Net Position	<u>\$ 9,500,732</u>	<u>\$ 9,339,643</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, 2024 AND 2023

<u>OPERATING REVENUES</u>	<u>2024</u>	<u>2023</u>
Water revenue	\$ 2,085,675	\$ 2,055,426
Sewer revenue	81,368	80,844
Penalties	23,451	25,472
Taps and connection fees	30,510	51,410
Vinita Utilities Authority	-	-
KVFD Assessment fees	29,727	29,100
Other revenue	61,371	28,019
Total operating revenues	2,312,102	2,270,271
<u>OPERATING EXPENSES</u>		
Auto, Truck and Equipment Expenses	26,193	46,332
Advertising and Publications	130	4,013
Chemicals	165,072	209,103
Depreciation Expense	692,731	934,152
Engineering	-	-
Insurance	61,606	52,762
Laboratory tests, permits and dues	15,538	31,146
Legal and accounting	12,334	8,526
Office supplies and expenses	62,618	55,758
Taps and bores	-	-
Repairs and replacements	137,136	229,780
Health Insurance	142,007	146,227
Retirement	80,383	78,192
Salaries and taxes	556,103	581,079
Training	2,106	850
Uniforms	7,753	5,074
Utilities and telephone	153,379	142,262
KVFD Expenses	27,178	28,603
Misc	4,586	15,972
Water purchases	51,564	53,587
Total operating expenses	2,198,417	2,623,418
Operating income (loss)	113,685	(353,147)
<u>NON-OPERATING REVENUE (EXPENSES)</u>		
Investment income	63,040	16,179
Interest on notes payable and fiscal fees	(237,718)	(246,193)
Grant	194,497	360,880
Gain on sale of assets	27,585	-
Total non-operating revenue (expenses)	47,404	130,866
Net income (loss)	161,089	(222,281)
Total net assets, beginning	9,339,643	9,561,924
Total net assets, ending	\$ 9,500,732	\$ 9,339,643

See accompanying notes to financial statements.

THE KETCHUM PUBLIC WORKS AUTHORITY
KETCHUM, OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024 AND 2023

	2024	Memo Only 2023
Cash flows from operating activities		
Cash received from customers	\$ 2,314,947	\$ 2,276,293
Cash paid to employees	(26,193)	(46,332)
Cash payments to suppliers for goods and services	<u>(1,606,788)</u>	<u>(1,575,108)</u>
Net cash provided (used) by operating activities	<u>681,966</u>	<u>654,853</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(612,208)	(625,033)
Proceeds from loan	-	-
Interest paid on notes payable	(237,718)	(246,193)
Principal paid on notes payable	(262,367)	(254,350)
Grant	194,497	360,880
Disposal of assets	<u>67,585</u>	<u>-</u>
Net cash (used) by capital and related financing activities	<u>(850,211)</u>	<u>(764,696)</u>
Cash flows from investing activities		
Receipt of interest and dividends	63,040	16,179
Change in Restricted Investments	(50,064)	(50,064)
Transfer to investments	<u>(949,936)</u>	<u>(325,936)</u>
Net cash provided (used) by investing activities	<u>(936,960)</u>	<u>(359,821)</u>
Net increase in cash and cash equivalents	(1,105,205)	(469,664)
Cash and cash equivalents, beginning	<u>2,506,774</u>	<u>2,976,438</u>
Cash and cash equivalents, ending	<u>\$ 1,401,569</u>	<u>\$ 2,506,774</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities		
Operating income (loss)	\$ 113,685	\$ (353,147)
Depreciation	692,731	934,152
(Increase)/Decrease in Current Assets		
Accounts receivables, net	(13,530)	(14,612)
Prepaid expenses	(2,687)	(3,766)
Increase/(Decrease) in Current Liabilities		
Accounts payable	(90,777)	101,090
Accrued compensated absences	(20,201)	(14,788)
Accrued payroll liabilities	-	-
Accrued interest payable	(100)	(98)
Meter deposits	<u>2,845</u>	<u>6,022</u>
Net cash provided by operating activities	<u>\$ 681,966</u>	<u>\$ 654,853</u>

See accompanying notes to financial statements.

THE KETCHUM PUBLIC WORKS AUTHORITY
KETCHUM, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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
JUNE 30, 2024 AND 2023

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, 2024, 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 \$3,401,634 at June 30, 2024. The bank balance of the deposits at June 30, 2024 was approximately \$3,422,017.

The Authority had deposits at financial institutions with a carrying amount of approximately \$3,506,839 at June 30, 2023. The bank balance of the deposits at June 30, 2023 was approximately \$3,544,899.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at June 30, 2024.

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, 2024, 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			Balance
	June 30, 2023	Additions	Retirements	June 30, 2024
Water Distribution System	\$26,786,039	\$ 352,679	\$ -	\$27,138,718
Buildings	112,425	70,749	-	183,174
Equipment & Fixtures	1,127,205	99,366	-	1,226,571
Land	396,075	89,414	40,000	445,489
Total Capital Assets	\$28,421,744	\$ 612,208	\$ 40,000	\$28,993,952
Depreciation	(8,465,374)	(692,731)	-	(9,158,105)
Total Net Capital Assets	<u>\$19,956,370</u>	<u>\$ (80,523)</u>	<u>\$ 40,000</u>	<u>\$19,835,847</u>

THE KETCHUM PUBLIC WORKS AUTHORITY
KETCHUM, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

	Balance			Balance
	June 30, 2022	Additions	Retirements	June 30, 2023
Water Distribution System	\$26,458,655	\$ 327,384	\$ -	\$26,786,039
Buildings	112,425	-	-	112,425
Equipment & Fixtures	885,504	241,701	-	1,127,205
Land	396,075	-	-	396,075
Total Capital Assets	\$27,852,659	\$ 569,085	\$ -	\$28,421,744
Depreciation	(7,531,222)	(934,152)	-	(8,465,374)
Total Net Capital Assets	<u>\$20,321,437</u>	<u>\$ (365,067)</u>	<u>\$ -</u>	<u>\$19,956,370</u>

NOTE D - NOTES PAYABLE PROPRIETARY FUND

A brief description of the outstanding notes payable at June 30, 2024 is set forth below:

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.	\$ 9,108,790
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.	<u>4,465,149</u>
TOTAL	<u>\$13,573,939</u>

Changes in long-term debt is as follows:

	Balance			Balance
	June 30, 2023	Additions	Retirements	June 30, 2024
Rural Development	\$13,836,306	\$ -	\$ (262,367)	\$ 13,573,939
	<u>\$13,836,306</u>	<u>\$ -</u>	<u>\$ (262,367)</u>	<u>\$ 13,573,939</u>

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>
2025	\$ 266,252	\$ 324,657	\$ 590,909
2026	270,949	316,900	587,849
2027	275,729	312,120	587,849
2028	280,593	307,256	587,849
2029	285,543	302,306	587,849
2030-2034	1,505,073	1,343,671	2,848,744
2035-2039	1,642,596	950,820	2,593,416
2040-2044	1,792,684	716,576	2,509,260
2045-2049	1,956,487	546,713	2,503,200
2050-2054	2,135,256	367,944	2,503,200
2055-2059	2,330,360	172,840	2,503,200
2060-2061	832,417	168,862	1,001,279
Total	<u>\$13,573,939</u>	<u>\$5,830,665</u>	<u>\$19,404,604</u>

THE KETCHUM PUBLIC WORKS AUTHORITY
 KETCHUM, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2024 AND 2023

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 (\$41,717 X 12 = \$500,640). At June 30, 2024, the total balance in the debt service reserve accounts at Welch State Bank was \$2,000,000.

Debt Service Reserve Account	\$2,000,000
Less: Excess Funds	<u>(1,499,360)</u>
Net Required Reserve	<u>\$ 500,640</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 - 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:

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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. 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 \$80,383.

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Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions- At June 30, 2024, the Authority reported a liability of \$126,628 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. 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, 2023. Based upon this information, the Authority's proportion was 0.027677%.

For the year ended June 30, 2024, the Authority recognized pension expense of \$80,383. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 3,474	\$ 1,917
Net difference between projected and actual earnings on pension plan investments	105,262	-
Changes in assumptions	26,751	-
Authority contributions subsequent to the measurement date	<u>80,383</u>	<u>-</u>
Total	<u>\$ 215,870</u>	<u>\$ 1,917</u>

The \$78,192 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, 2024. 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

2024	\$ 37,316
2025	5,301
2026	114,946

Actuarial Assumptions-The total pension liability as of June 30, 2023, was determined based on an actuarial valuation prepared as of July 1, 2023, using the following actuarial assumption:

- Investment return - 6.50% for 2023 and 2022.
- Salary increases - 3.5% to 9.25% for 2023 and 2022.
- Mortality rates - In 2023 Pub?2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are unadjusted, and female rates are set forward two years.
- No annual post-retirement benefit increases
- Assumed inflation rate - 2.50% for 2023 and 2022.
- Payroll growth - 3.25% for 2023 and 2022.
- Actuarial cost method - Entry age
- Select period for the termination of employment assumptions - 10 years

The actuarial assumptions used in the July 1, 2023, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2022.

THE KETCHUM PUBLIC WORKS AUTHORITY
KETCHUM, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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, 2023, 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%	5.1%
U.S. Small Cap Equity	6.0%	5.1%
Global Equity ex-US	28.0%	8.2%
Core Fixed Income	25.0%	1.9%
Long Term Treasuries	25.5%	2.1%
US TIPS	3.5%	1.8%
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:

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Employers' net pension liability (asset)\$	489,117	\$ 126,628	\$ (178,161)

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 H - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 12, 2024, the date on which the financial statements were available to be issued. The District is not aware of any items which need to be disclosed during that period.

THE KETCHUM PUBLIC WORKS AUTHORITY
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2024

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	2021	2022	2023
Proportion of the net pension liability	.0253%	.01613%	.0351%	.0243%	.0265%	.0268%	.0267%	.0264%	.0254%	.0277%
Proportionate share of the net pension liability	\$46,441	\$58,017	\$348,247	\$131,381	\$51,686	\$35,668	\$237,982	\$(354,531)	\$213,283	\$126,628
Covered-employee payroll	\$440,071	\$429,608	\$442,418	\$504,631	\$411,759	\$474,467	\$480,884	\$468,192	\$460,043	\$523,947
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%	(75.72)%	46.36%	24.17%
Plan fiduciary net position as a percentage of the total pension liability	97%	96%	89.48%	94.28%	97.96%	98.63%	91.59%	112.51%	92.24%	95.91%

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

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, 2024

Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$81,829	\$72,663	\$75,416	\$73,879	\$75,505	\$78,287	\$77,252	\$75,907	\$78,192	\$80,383
Contribution in relation to the Actuarially determined contribution	\$81,829	\$72,663	\$75,416	\$73,879	\$75,505	\$78,287	\$77,252	\$75,907	\$78,192	\$80,383
Contribution deficiency (excess)										
Covered-employee payroll	\$429,608	\$442,418	\$504,631	\$411,759	\$474,467	\$480,884	\$468,192	\$460,043	\$523,947	\$478,725
Contribution as a percentage of covered-employee payroll	19.00	16.42	14.94	17.94	15.91	16.28	16.50	16.50	14.92	16.79

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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

We 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, 2024 and 2023, and the related notes to the financial statements, which collectively comprise The Ketchum Public Works Authority's basic financial statements and have issued our report thereon dated September 12, 2024 which did not include Management's Discussion and Analysis or budgetary comparison.

Internal Control Over Financial Reporting

In planning and performing our audit, We considered The Ketchum Public Works Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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, We 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.

Our 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, We performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, We do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of 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,

Ralph Osborn, CPA LLP

Ralph Osborn, CPA LLP
Bristow, Oklahoma
September 12, 2024