



**Northeast Oklahoma Public
Facilities Authority**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

**NORTHEAST OKLAHOMA PUBLIC
FACILITIES AUTHORITY**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

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**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Independent Auditor's Report

Board of Trustees
Northeast Oklahoma Public Facilities Authority
Tahlequah, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the financial statements of the Northeast Oklahoma Public Facilities Authority (the Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are 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*, we have also issued our report dated March 13, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Hick & Company, PC

Tulsa, Oklahoma
March 13, 2024



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MANAGEMENT'S DISCUSSION AND ANALYSIS

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The discussion and analysis of Northeast Oklahoma Gas Authority's ("NOPFA") financial performance provides an overview and analysis of the Authority's financial activities for the fiscal year ended June 30, 2023. It should be read in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the following parts: Management's Discussion and Analysis and Basic Financial Statements. The financial statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Authority report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position includes information on the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The Statement of Revenue, Expenses and Changes in Net Position identifies the Authority's revenues and expenses for the fiscal year ended June 30, 2023. This statement provides information on the Authority's operations over the past fiscal year and can be used to determine whether the Authority has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the Authority's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. The net result of these activities added to the beginning of the year cash balance total to the cash equivalent balance at the end of the current calendar year.

CONDENSED FINANCIAL INFORMATION

Condensed financial information from the Statement of Net Position as of June 30, 2023 and 2022, as well as the Statement of Revenues, Expenses and Changes in Net Position for the years then ended are as follows:

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Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position

Table 1
Net Position
June 30, 2023

	2023	2022	% Inc. (Dec.)
Current assets	\$ 18,684,443	\$ 18,336,302	2%
Noncurrent assets			
Capital assets, net of depreciation	10,890,816	9,780,699	11%
Other assets	877,134	840,034	4%
Total assets	30,452,393	28,957,035	5%
Current liabilities	239,274	310,254	-23%
Noncurrent liabilities	1,228,638	1,240,714	-1%
Total liabilities	1,467,912	1,550,968	-5%
Net position			
Net investment in capital assets	10,890,816	9,780,699	11%
Unrestricted	18,093,665	17,625,368	3%
Total net position	\$ 28,984,481	\$ 27,406,067	6%

Significant balances for the NOPFA for the operations during fiscal year 2023 consisted of cash balances, capital assets, and current liabilities.

At year ended June 30, 2023 the NOPFA ended the year with unrestricted cash and investment balances of \$11,425,024 and \$6,289,276.

NOPFA also had capital assets recorded net of accumulated depreciation of \$10,890,816.

NOPFA also incurred \$1,293,482 of amounts due to depositors which represents the significant portion of total liabilities of NOPFA. As a result of the amounts due to depositors, NOPFA had restricted cash and cash equivalents and investments of \$1,293,482.

Current liabilities decreased by 23% or \$70,980 primarily due to a reduction in the current portion of compensated absences by \$49,063. There was also a reduction in accounts payable of \$26,039 making this change in addition to the change in compensated absence liability being the primary driver for the reduction in current liabilities.

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**Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position
(Continued)**

Table 2 is prepared from NOPFA’s Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2023.

Table 2
Change in Net Position
For the Year Ended June 30, 2023

	2023	2022	% Inc. (Dec.)
Operating revenues and expenses			
Operating revenues	\$ 13,791,603	\$ 15,296,096	-10%
Less operating expenses	(12,194,004)	(12,869,269)	-5%
Net operating revenues	<u>1,597,599</u>	<u>2,426,827</u>	-34%
Nonoperating revenues	<u>380,815</u>	<u>83,955</u>	354%
Income before special item	1,978,414	2,510,782	-21%
Special Item	<u>(400,000)</u>	<u>(320,000)</u>	25%
Increase in net position	<u>\$ 1,578,414</u>	<u>\$ 2,190,782</u>	28%

Revenues

The most significant revenue source of NOPFA is related to the sale of gas to customers of the Authority, and these revenues comprise 91.2% of the operating revenues and 88.7% of total revenues for fiscal year 2023.

For the fiscal year 2023, NOPFA operating revenues decreased from the prior year primarily due to a reduction in sale of gas to customers of \$2,399,253 or 23%. A primary factor resulting is reduction of collections for outstanding amounts from prior years abnormal weather event.

Expenses

The most significant expenses of NOPFA, for fiscal year 2023, are the purchase of gas and transportation costs, with these expenses comprising 67.9% of operation expenses and 65.8% of total expenses for fiscal year 2023. Overall operating expenses remained concise with fiscal year 2022 and distributions to participating members increased by 25%.

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Capital Assets and Debt Administration

For 2023, NOPFA recorded a total of \$24,033,339 in capital assets and \$13,142,523 in accumulated depreciation. During the year ended June 30, 2023, the NOPFA had an addition in the gas distribution system of \$1,477,404, which comprise much of the significant additions for the fiscal year.

At June 30, 2023, NOPFA had an obligation of \$129,007 for accrued compensated absences accrued by employees and have considered \$64,503 a current liability.

Table 3
Capital Assets, Net
June 30, 2023

	2023	2022	Change
Capital Assets	\$ 24,033,339	\$ 22,434,676	\$ 1,598,663
Less accumulated depreciation	(13,142,523)	(12,653,977)	(488,546)
Capital assets, net	\$ 10,890,816	\$ 9,780,699	\$ 1,110,117

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

Table 4
Short and Long-Term Liabilities
June 30, 2023

	2023	2022	Change
Accrued compensated absences	129,007	227,246	(98,239)
Total long-term & short-term liabilities	\$ 129,007	\$ 227,246	\$ (98,239)

Further detailed information can be obtained in the notes to the financial statements (Note 1 & 5)

Economic Factors and NOPFA's Future

NOPFA's Board considers many factors when setting the budget. Among these factors are the following:

- Cash flow to cover operating expenses.
- Forecasted cost of natural gas.
- Age of and operating condition of capital assets.
- Reserves required for future capital expansion, upgrades and replacements.

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Contacting NOPFA's Financial Management

This financial report is designed to provide users, including customers and creditors with a general overview of NOPFA's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the General Manager of the Northeast Oklahoma Public Facilities Authority, 103 North College Avenue, Tahlequah, Oklahoma. 74434 or telephone us at (918) 456-6268.

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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND

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Proprietary Fund Statement of Net Position - June 30, 2023

ASSETS

Current assets:	
Cash and cash equivalents	\$ 11,425,024
Investments	6,289,276
Restricted:	
Cash and cash equivalents	129,348
Investments	287,000
Accounts receivable, net	107,449
Interest receivable	13,546
Inventory	394,120
Prepaid expenses	38,680
Total current assets	<u>18,684,443</u>
Non-current assets:	
Restricted:	
Cash and cash equivalents	779,634
Investments	97,500
Capital assets:	
Land and construction in progress	229,773
Other capital assets, net of accumulated depreciation	10,661,043
Total non-current assets	<u>11,767,950</u>
Total assets	<u><u>\$ 30,452,393</u></u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 21,629
Unearned revenue	23,794
Due to depositors	129,348
Compensated absences	64,503
Total current liabilities	<u>239,274</u>
Non-current liabilities:	
Due to depositors	1,164,134
Accrued compensated absences	64,504
Total non-current liabilities	<u>1,228,638</u>
Total liabilities	<u>1,467,912</u>

NET POSITION

Net investment in capital assets	10,890,816
Unrestricted	18,093,665
Total net position	<u><u>\$ 28,984,481</u></u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2023

OPERATING REVENUES

Charges for services:	
Charges for Services - Gas	\$ 12,576,597
Penalties	81,148
Installations and reconnects	155,276
Miscellaneous	978,582
Total operating revenues	<u>13,791,603</u>

OPERATING EXPENSES

Cost of sales - gas purchases and transportation	8,281,285
CNG expense	70,062
Salaries and wages	1,769,641
Payroll taxes & benefits	470,238
Contracted services	86,551
Administrative	66,042
Maintenance and repairs	58,935
Insurance	324,422
Truck expenses	64,844
Office supplies and expenses	107,408
Dues and pipeline assessment	98,787
Telephone and utilities	72,645
Supplies	100,784
Miscellaneous	133,815
Depreciation expense	488,545
Total operating expenses	<u>12,194,004</u>
Operating income	<u>1,597,599</u>

NON-OPERATING REVENUES (EXPENSES)

Investment income	<u>380,815</u>
Total non-operating revenue	<u>380,815</u>
Income before special item	<u>1,978,414</u>
Special item - Distributions	(400,000)
Change in net position	1,578,414
Total net position - beginning	<u>27,406,067</u>
Total net position - ending	<u>\$ 28,984,481</u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Cash Flows - Year Ended June 30, 2023

	Totals
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 14,119,712
Payments to suppliers	(9,535,840)
Payments to beneficiaries	(400,000)
Payments to employees	(2,338,118)
Receipts of customer deposits	248,474
Refunds of customer meter deposits	(207,253)
Net cash provided by operating activities	1,886,975
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other accounts	1,088,989
Transfers to other accounts	(1,088,989)
Net cash provided by noncapital financing activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(1,598,662)
Net cash provided by (used in) capital and related financing activities	(1,598,662)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (Purchase) of investments	(139,893)
Interest and dividends	368,989
Net cash provided by investing activities	229,096
Net increase in cash and cash equivalents	517,409
Balances - beginning of year	11,816,597
Balances - end of year	\$ 12,334,006
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 11,425,024
Restricted cash and cash equivalents - current	129,348
Restricted cash and cash equivalents - noncurrent	779,634
Total cash and cash equivalents, end of year	\$ 12,334,006
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,597,599
Adjustments to reconcile operating income to net cash provided by operating activities:	
Special Item - Distributions	(400,000)
Depreciation expense	488,545
Change in assets and liabilities:	
Unearned revenue	-
Accounts receivable	328,109
Inventory	(44,238)
Accounts payable	(26,040)
Prepaid expense	18
Deposits subject to refund	41,221
Accrued compensated absences	(98,239)
Net cash provided by operating activities	\$ 1,886,975

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Northeast Oklahoma Public Facilities Authority ("NOPFA") was created as a public trust in the State of Oklahoma on April 22, 1958, to establish and operate public utility facilities for the public health and welfare in Northeast Oklahoma. On March 25, 1960, NOPFA entered into a franchise agreement with the Tahlequah Public Works Authority of Tahlequah, Oklahoma to establish and operate a natural gas utility system. On November 10, 1972, the NOPFA entered into franchise agreements with the Municipal Authority of Stilwell and Town of Westville for the establishment and operation of a natural gas utility system in their areas.

NOPFA operations include the Tahlequah Gas System Account, the Stilwell/Westville Gas System Account, and the Administrative Account. Both the Tahlequah Gas System and the Stilwell/Westville Gas System have as their purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control, and regulate gas utility facilities within and without the corporate boundaries of the Cities of Tahlequah and Stilwell, and the Town of Westville.

B. Basis of Presentation and Accounting

The NOPFA utilizes the proprietary fund method of accounting and accounts for the activities of the public trust in providing natural gas and compressed natural gas to the public.

For purposes of the statement of revenues, expenses and changes in net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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D. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except interest earning investment contracts with an initial maturity of more than three months. Those investments are reported at a cost-based measure.

Receivables

Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- Buildings	10-30 years
- Machinery and Equipment	5-10 years
- Utility System & Improvements	50 years
- Vehicles	5 years

Inventories

Inventories consist of parts and supplies used in construction and maintenance of the gas utility systems. Inventories are recorded at cost and charged to expense when used.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts and utility meter deposits.

Long-Term Debt

All long-term debts are reported as liabilities in the proprietary statements. The long-term debt consists of accrued compensated absences.

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Compensated Absences

The NOPFA's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation leave. Upon termination an employee is paid for the accumulated balance of both vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the financial statements. The current portion of this debt is estimated based on historical trends. Proprietary funds report the liability as it is incurred.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted.”

It is the NOPFA’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

Expenses are classified by Operating and Non-Operating. Proprietary funds report expenses relating to use of economic resources.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

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2. Cash, Cash Equivalents, and Investments

At June 30, 2023, NOPFA held the following deposits and investments:

<u>Type of Deposit and Investment</u>	<u>Carrying Value</u>
Deposits:	
Demand	\$ 12,334,006
Non-negotiable Certificate of Deposits	6,673,776
Total Deposits and Investments	<u>\$ 19,007,782</u>

Reconciliation to Statement of Net Position:

Current assets:	
Cash and cash equivalents	\$ 11,425,024
Investments	6,289,276
Restricted - current:	
Cash and cash equivalents	129,348
Investments	287,000
Restricted - noncurrent:	
Cash and cash equivalents	779,634
Investments	97,500
	<u>\$ 19,007,782</u>

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the NOPFA holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the NOPFA’s name: or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the NOPFA holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the NOPFA’s name.

NOPFA does not have a deposit policy for custodial credit risk. As of June 30, 2023, NOPFA's bank balance of \$19,442,801 was not exposed to custodial credit risk as the amounts were insured and collateralized.

The NOPFA investment choices are limited by state law as follows:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

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e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

Investments at June 30, 2023 consisted of non-negotiable certificates of deposit (interest-earning investment contracts) and were not subject to interest rate, credit, concentration of credit, or foreign currency risk.

Restricted Cash and Investments – The amounts reported as restricted assets of the Statement of Net Position are comprised of amounts restricted for refundable deposits. The restricted assets as of June 30, 2023 are as follows:

	Current		Noncurrent	
	Cash and cash equivalents	Investments	Cash and cash equivalents	Investments
Meter deposits	\$ 129,348	\$ 287,000	\$ 779,634	\$ 97,500
Total	\$ 129,348	\$ 287,000	\$ 779,634	\$ 97,500

3. Accounts Receivable

Accounts Receivable - Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts.

	Accounts Receivable	Less: Allowance For Uncollectible Accounts	Net Accounts Receivable
Accounts Receivable	\$ 116,557	\$ (9,108)	\$ 107,449

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

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For the year ended June 30, 2023, capital assets balances changed as follows:

	Balance at June 30, 2022	Additions	Disposals	Transfers	Balance at June 30, 2023
Capital assets not being depreciated:					
Land	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Construction in Progress	307,995	1,248,010	-	(1,336,232)	219,773
Total capital assets not being depreciated	<u>317,995</u>	<u>1,248,010</u>	<u>-</u>	<u>(1,336,232)</u>	<u>229,773</u>
Other capital assets:					
Buildings and improvements	1,567,190	-	-	-	1,567,190
CNG Stations and slow fills	2,512,880	-	-	-	2,512,880
Gas Distribution System	15,524,933	141,172	-	1,336,232	17,002,337
Equipment	1,366,552	10,810	-	-	1,377,362
Vehicles	1,145,126	198,670	-	-	1,343,796
Total other capital assets	<u>22,116,681</u>	<u>350,652</u>	<u>-</u>	<u>1,336,232</u>	<u>23,803,565</u>
Less accumulated depreciation for:					
Accumulated Depreciation					
Buildings and improvements	(1,065,491)	(50,478)	-	-	(1,115,969)
CNG Stations and slow fills	(483,820)	(47,130)	-	-	(530,950)
Gas Distribution System	(8,857,794)	(303,957)	-	-	(9,161,751)
Equipment	(1,198,109)	(33,646)	-	-	(1,231,755)
Vehicles	(1,048,763)	(53,334)	-	-	(1,102,097)
Total accumulated depreciation	<u>(12,653,977)</u>	<u>(488,545)</u>	<u>-</u>	<u>-</u>	<u>(13,142,522)</u>
Other capital assets, net	9,462,704	(137,893)	-	-	10,661,043
Total capital assets, net	<u>\$ 9,780,699</u>	<u>\$1,110,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,890,816</u>

5. Debt and Debt Service Requirements

For the year ended June 30, 2023, the reporting entity's short and long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance 6/30/22</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/23</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$ 227,246	\$ 135,749	\$ 233,988	\$ 129,007	\$ 64,503
Total Long-Term Debt	<u>\$ 227,246</u>	<u>\$ 135,749</u>	<u>\$ 233,988</u>	<u>\$ 129,007</u>	<u>\$ 64,503</u>

Accrued compensated absences:

Current portion	\$ 64,503
Noncurrent portion	<u>64,504</u>
Total Accrued Compensated Absences	<u>\$ 129,007</u>

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6. Net Position

Net position is displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the NOPFA’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

For fiscal year 2023 NOPFA did not report any restricted net position.

7. Risk Management

NOPFA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. NOPFA has insurance for the major risks such as property, general liability, workers' compensation, and unemployment. Commercial insurance is used to cover general liability claims and the risk of loss to Authority buildings and mobile equipment.

8. Commitments and Contingencies

Litigation:

The NOPFA is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Authority and the State statute relating to judgments, the Authority feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Authority.

Contracts:

Gas purchase contract - NOPFA has a gas purchase contract with Clearwater Enterprises, LLC for monthly fixed price volumes through December 2023 to purchase 50% of its estimated needs at an average of \$3.43 per MMBtus and the remaining 50% at the daily gas price. The total remaining commitment at June 30, 2023 was 296,500 MMBtus.

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9. Pension Plan Participation

On January 1, 1973, NOPFA established a Target Benefit Pension Plan (a defined contribution plan) for the accumulation of the employer's contribution of retirement benefits. On January 1, 2011, the plan was amended and converted to a non-standardized Money Purchase Plan. Employees become eligible to receive contributions made on their behalf upon completion of six months of full-time employment. Vesting occurs upon the employee attaining normal retirement age (the later of the date the participant reaches age 65 or the 5th anniversary of the first day of the Plan Year in which the participant began participation in the Plan), or early retirement age (the later of the date the participant reaches age 55 or the date a participant reaches his or her 10th anniversary of the first day of the Plan Year in which the participant began participation in the Plan).

Benefit terms including contribution requirements, for NOPFA are established and may be amended by the Board. For each employee in the plan, the Authority is required to contribute 5 percent of eligible employee's gross wages. Contributions in the amount of \$21,678 for Administration, \$48,667 for Tahlequah, and \$20,023 for Stilwell were made by NOPFA and recognized as pension expense.

In addition to the Defined Contribution Plan described above, NOPFA has also established a Section 457 Retirement Plan for accumulation of all full-time employee contributions to their retirement plan. Under this Plan, the employee's actual retirement benefit will depend on the amount of their account balances at the time of retirement. The account balances will reflect the employee's deferred contributions over the period of time the employee participates in the Plan and their success in investing and re-investing the assets of their accounts.

During fiscal year ended June 30, 2023, contributions in the amount of \$24,235 for Administration, \$59,452 for Tahlequah and \$27,128 for Stilwell were made by the employees, while \$22,915 for Administration, \$46,544 for Tahlequah and \$18,598 for Stilwell were made by NOPFA and recognized as pension expense.

10. Subsequent Events

Subsequent events have been evaluated through March 8, 2024, which is the date the financial statements were issued.

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OTHER SUPPLEMENTARY INFORMATION

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Combining Schedule of Net Position – Enterprise Fund Accounts – June 30, 2023

	<u>Tahlequah Gas System</u>	<u>Administrative Account</u>	<u>Stilwell- Westville Gas System</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,524,599	\$ 498,428	\$ 4,401,997	\$ 11,425,024
Investments	4,289,714	-	1,999,562	6,289,276
Restricted:				
Cash and cash equivalents	-	-	129,348	129,348
Investments	287,000	-	-	287,000
Due from other funds	666,963	-	-	666,963
Accounts receivable, net	91,594	-	15,855	107,449
Interest receivable	9,939	-	3,607	13,546
Inventories	295,037	-	99,083	394,120
Prepaid expenses	18,571	9,435	10,674	38,680
Total current assets	<u>12,183,417</u>	<u>507,863</u>	<u>6,660,126</u>	<u>19,351,406</u>
Non-current assets:				
Restricted:				
Cash and cash equivalents	-	-	779,634	779,634
Investments	-	-	97,500	97,500
Capital Assets:				
Land and construction in progress	162,255	-	67,518	229,773
Other capital assets, net of accumulated depreciation	7,540,923	28,834	3,091,286	10,661,043
Total non-current assets	<u>7,703,178</u>	<u>28,834</u>	<u>4,035,938</u>	<u>11,767,950</u>
Total assets	<u>19,886,595</u>	<u>536,697</u>	<u>10,696,064</u>	<u>31,119,356</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	7,159	172	14,298	21,629
Due to other funds	-	-	666,963	666,963
Unearned revenue	-	-	23,794	23,794
Due to depositors	95,396	-	33,952	129,348
Compensated absences	36,246	16,826	11,431	64,503
Total current liabilities	<u>138,801</u>	<u>16,998</u>	<u>750,438</u>	<u>906,237</u>
Non-current liabilities:				
Due to depositors	858,567	-	305,567	1,164,134
Compensated absences	36,247	16,826	11,431	64,504
Total non-current liabilities	<u>894,814</u>	<u>16,826</u>	<u>316,998</u>	<u>1,228,638</u>
Total liabilities	<u>1,033,615</u>	<u>33,824</u>	<u>1,067,436</u>	<u>2,134,875</u>
NET POSITION				
Net investment in captial assets	7,703,178	28,834	3,158,804	10,890,816
Unrestricted	11,149,802	474,039	6,469,824	18,093,665
Total net position	<u>\$ 18,852,980</u>	<u>\$ 502,873</u>	<u>\$ 9,628,628</u>	<u>\$ 28,984,481</u>

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Combining Schedule of Revenues, Expenses, and Changes in Net Position – Enterprise Fund
Accounts – Year Ended June 30, 2023

	Tahlequah Gas System	Administrative Account	Stilwell- Westville Gas System	Total
OPERATING REVENUES				
Charges for services:				
Charges for Services - Gas	\$ 8,329,204	\$ -	\$ 4,247,393	\$ 12,576,597
Penalties	51,977	-	29,171	81,148
Installations and reconnects	118,498	-	36,778	155,276
Miscellaneous	978,582	-	-	978,582
Total operating revenues	<u>9,478,261</u>	<u>-</u>	<u>4,313,342</u>	<u>13,791,603</u>
OPERATING EXPENSES				
Cost of sales - gas purchases and transportation	5,448,255	-	2,833,030	8,281,285
CNG expense	70,062	-	-	70,062
Salaries and wages	914,095	479,250	376,296	1,769,641
Payroll Taxes & benefits	264,756	107,609	97,873	470,238
Contracted services	8,400	44,512	33,639	86,551
Administrative	12,663	1,814	51,565	66,042
Maintenance and repairs	39,762	4,548	14,625	58,935
Insurance	162,029	85,979	76,414	324,422
Truck expenses	55,581	433	8,830	64,844
Office supplies and expenses	5,759	90,851	10,798	107,408
Dues and pipeline assessment	41,601	43,591	13,595	98,787
Telephone and utilities	34,748	22,425	15,472	72,645
Supplies	70,255	21,367	9,162	100,784
Miscellaneous	116,885	2,835	14,095	133,815
Depreciation expense	318,649	14,386	155,510	488,545
Total Operating Expenses	<u>7,563,500</u>	<u>919,600</u>	<u>3,710,904</u>	<u>12,194,004</u>
Operating income (loss)	<u>1,914,761</u>	<u>(919,600)</u>	<u>602,438</u>	<u>1,597,599</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	260,051	-	120,764	380,815
Interest expense	-	-	-	-
Total non-operating revenue	<u>260,051</u>	<u>-</u>	<u>120,764</u>	<u>380,815</u>
Income (loss) before special item	<u>2,174,812</u>	<u>(919,600)</u>	<u>723,202</u>	<u>1,978,414</u>
Special Item - Distributions	(200,000)	-	(200,000)	(400,000)
Interaccount transfers in	-	972,054	116,935	1,088,989
Interaccount transfers out	(707,117)	-	(381,872)	(1,088,989)
Change in net position	<u>1,267,695</u>	<u>52,454</u>	<u>258,265</u>	<u>1,578,414</u>
Total net position - beginning	<u>17,585,285</u>	<u>450,419</u>	<u>9,370,363</u>	<u>27,406,067</u>
Total net position - ending	<u>\$ 18,852,980</u>	<u>\$ 502,873</u>	<u>\$ 9,628,628</u>	<u>\$ 28,984,481</u>

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Combining Statement of Cash Flows – Enterprise Fund Accounts – Year Ended June 30, 2023

	Tahlequah Gas System	Administrative Account	Stilwell- Westville Gas System	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 9,700,970	\$ -	\$ 4,418,742	\$ 14,119,712
Payments to suppliers	(6,119,454)	(328,031)	(3,088,355)	(9,535,840)
Payments to beneficiaries	(200,000)	-	(200,000)	(400,000)
Payments to employees	(1,227,941)	(607,889)	(502,288)	(2,338,118)
Receipts of customer deposits	191,060	-	57,414	248,474
Refunds of customer meter deposits	(160,670)	-	(46,583)	(207,253)
Receipts (payments) from other funds	(30,390)	-	30,390	-
Net cash provided by (used in) operating activities	<u>2,153,575</u>	<u>(935,920)</u>	<u>669,320</u>	<u>1,886,975</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other accounts	-	972,054	116,935	1,088,989
Transfers to other accounts	(707,117)	-	(381,872)	(1,088,989)
Net cash provided by (used in) noncapital financing activities	<u>(707,117)</u>	<u>972,054</u>	<u>(264,937)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(1,254,123)	-	(344,539)	(1,598,662)
Principal paid on debt	-	-	-	-
Interest and fiscal agent fees paid on debt	-	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>(1,254,123)</u>	<u>-</u>	<u>(344,539)</u>	<u>(1,598,662)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (Purchase) of investments	(96,538)	-	(43,355)	(139,893)
Interest and dividends	251,307	-	117,682	368,989
Net cash provided by investing activities	<u>154,769</u>	<u>-</u>	<u>74,327</u>	<u>229,096</u>
Net increase in cash and cash equivalents	347,104	36,134	134,171	517,409
Balances - beginning of year	<u>6,177,495</u>	<u>462,294</u>	<u>5,176,808</u>	<u>11,816,597</u>
Balances - end of year	<u>\$ 6,524,599</u>	<u>\$ 498,428</u>	<u>\$ 5,310,979</u>	<u>\$ 12,334,006</u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 6,524,599	\$ 498,428	\$ 4,401,997	\$ 11,425,024
Restricted cash and cash equivalents - current	-	-	129,348	129,348
Restricted cash and cash equivalents - noncurrent	-	-	779,634	779,634
Total cash and cash equivalents, end of year	<u>\$ 6,524,599</u>	<u>\$ 498,428</u>	<u>\$ 5,310,979</u>	<u>\$ 12,334,006</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,914,761	\$ (919,600)	\$ 602,438	\$ 1,597,599
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Special Item - Distributions	(200,000)	-	(200,000)	(400,000)
Depreciation expense	318,649	14,386	155,510	488,545
Change in assets and liabilities:				
Unearned revenue	-	-	-	-
Accounts receivable	222,709	-	105,400	328,109
Interfund	(30,390)	-	30,390	-
Inventory	(40,285)	-	(3,953)	(44,238)
Accounts payable	(12,864)	(10,004)	(3,171)	(26,039)
Prepaid expense	(305)	328	(6)	17
Deposits subject to refund	30,390	-	10,831	41,221
Accrued compensated absences	(49,090)	(21,030)	(28,119)	(98,239)
Net cash provided by (used in) operating activities	<u>\$ 2,153,575</u>	<u>\$ (935,920)</u>	<u>\$ 669,320</u>	<u>\$ 1,886,975</u>

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REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS



Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Northeast Oklahoma Public Facilities Authority
Tahlequah, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Northeast Oklahoma Public Facilities Authority (the Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hick & Company, PC

Tulsa, Oklahoma
March 13, 2024

