

**STILWELL AREA
DEVELOPMENT AUTHORITY**

Annual Financial Statements & Independent Auditor's Report

Year Ended June 30, 2023



STILWELL AREA DEVELOPMENT AUTHORITY
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2023

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Management Discussion & Analysis

As Management of the Stilwell Area Development Authority (the Authority), we offer readers of the Authority's financial statement this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Financial Highlights

The Assets of the Authority exceeded its liabilities at the close of the current year by \$23,117,632.

The Authority's net position Increased from \$21,855,155 to \$23,117,632, which is an increase of \$1,262,477.

The Authority's cash, cash equivalents, and CD's unreserved of \$4,642,849 at June 30, 2023.

The trust beneficiary, the City of Stilwell requested a non-recurring transfer of surplus funds in the amount of \$150,000 for a public improvement project. The fund transfer was approved and transfer made during the fiscal year.

Overview of the Financial Statements

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

Required Financial Statements

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

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

GAAP requires state and local governments to use the enterprise fund type to account for “business-type activities” – activities like those found in the private sector. The purpose of the enterprise fund is to account for operations that are financed and operated in a manner like private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation)

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

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

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

The Authority’s net position Increased \$1,262,477 for the year ended June 30, 2023. The following table provides a summary of net position.

NET POSITION

	Total Proprietary Funds As of <u>As of June 30, 2022</u>	Total Proprietary Funds As of <u>As of June 30, 2023</u>	Net Change
ASSETS			
Current Assets	\$ 7,073,092	\$ 7,049,624	\$ (23,468)
Net Fixed Assets	18,161,264	18,791,713	630,449
Deferred Outflows	<u>291,669</u>	<u>549,154</u>	<u>257,485</u>
TOTAL ASSETS	<u><u>\$ 25,526,025</u></u>	<u><u>\$ 26,390,491</u></u>	<u><u>864,466</u></u>
LIABILITIES AND NET POSITION			
Current Liabilities	\$ 1,335,013	\$ 972,224	(362,789)
Non-Current Liabilities	1,821,549	2,143,405	321,856
Deferred Inflows	514,308	157,230	(357,078)
Net Position	<u>21,855,155</u>	<u>23,117,632</u>	<u>1,262,477</u>
	<u><u>\$ 25,526,025</u></u>	<u><u>\$ 26,390,491</u></u>	<u><u>\$ 864,466</u></u>

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Total Proprietary Funds For the Year Ended June 30, 2022	Total Proprietary Funds For the Year Ended June 30, 2023	Net Change
Operating Revenue	\$ 10,923,693	\$ 11,935,627	\$ 1,011,934
Operating Expenses	9,833,726	11,357,656	(1,523,930)
Net Income From Operations	1,089,967	577,971	(511,996)
Non-Operating Revenues &(Expense)	86,229	684,506	598,277
Change in Net Position	1,176,196	1,262,477	86,281
Total Net Position Beginning of Year	22,167,817	23,344,013	1,176,196
Total Net Position End of Year	\$ 23,344,013	\$ 24,606,490	\$ 1,262,476

ANALYSIS OF BUDGET VS ACTUAL 2022- 2023

	Budget	Actual	Variance
Revenue			
Electric Revenue	8,343,000	8,726,351	383,351
Water Sales	2,108,500	2,074,150	(34,350)
Sewer Sales	1,006,500	1,004,431	(2,069)
Other Revenue	62,700	559,760	497,060
Grant Revenue	4,000,000	892,606	(3,107,394)
Total Revenue	15,520,700	13,257,298	(2,263,402)
Expenses			
Administrative	910,728	905,372	5,356
Billing & Collection	253,804	243,183	10,621
Water/Sewer Construction	755,792	799,818	(44,026)
Electric	8,220,891	8,049,192	171,699
Water Filtration	3,156,235	910,921	2,245,314
Waste Disposal	3,277,445	1,086,335	2,191,110
Meter Deposits	-	-	-
Total Expenses	16,574,895	11,994,821	4,580,074
Increase in Net Position	<u>(1,054,195)</u>	<u>1,262,477</u>	<u>(2,316,672)</u>

Capital Assets

The investment in capital assets as of June 30th Increased from \$35,049,525 to \$36,463,789.

	Fiscal Year 2020 - 2021	Fiscal Year 2021 - 2022	Increase (Decrease)
Land/Improvements	491,431	491,431	-
Equipment	2,403,143	2,331,983	(71,160)
Vehicles	1,812,595	1,853,045	40,450
Buildings	2,577,889	2,565,648	(12,241)
Electrical System	5,568,447	7,316,736	1,748,289
Sewer System	14,922,869	14,910,488	(12,381)
Water Plant	5,505,524	5,715,655	210,131
Construction in Progress	1,767,627	1,278,803	(488,824)
Investment in Capital Assets	35,049,525	36,463,789	1,414,264
Accumulated Depreciation	<u>(16,888,261)</u>	<u>(17,672,076)</u>	<u>(783,815)</u>
Net Fixed Assets	<u>18,161,264</u>	<u>18,791,713</u>	<u>630,449</u>

The Authority also entered into a Memorandum of Understanding with the Cherokee Nation for engineering, plans, and specifications on a new Water Treatment Plant (WTP), Raw Water Intake (RWI),

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

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

The projects will be funded as follows:

Projects

Water Treatment Plant	\$ 16,725,000
Raw Water Intake	2,580,000
Flow Equalization Basin	2,975,000
APRA Admin Fee	287,938
Total Cost	\$ 22,567,938

Funding Plan

OWRB ARPA Funds	\$ 6,910,500
Indian Health Service (WTP/RWI)	7,025,000
Indian Health Service (FEB)	1,134,000
Cherokee ARPA Funding	7,210,500
APRA Admin Fee	287,938
Total Funding	\$ 22,567,938

On July 27, 2023, the Stilwell City Council and the Stilwell Area Development Authority met in a joint special meeting and authorized an application for OWRB loan funds in an amount not to exceed \$5,120,000.00. This is the estimated amount between the engineers estimated cost of \$27,000,000 and the \$22,567,938 grant funds for the construction of the above discussed facilities. Formal applications were submitted to OWRB, which application is scheduled to be approved December 2023 or January 2024.

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

Debt

At June 30, 2023, the Authority had outstanding debt in the amount of \$1,427,555. The Authority signed a promissory note with USDA for 1,484,000 at 1.375% interest, payable over 40 years.

Economic factors and next year’s budget and rates

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

MICHAEL W. GREEN
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STILWELL, OK. 74960
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Stilwell Area Development Authority and do not purport to, and do not, present fairly the financial position of the City of Stilwell, Oklahoma, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of 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 December 30, 2023, on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Regards,

A handwritten signature in black ink, appearing to read "Michael Green". The signature is stylized and cursive.

Michael Green, CPA
December 30, 2023

Stilwell Area Development Authority
Statement of Net Position, Business Type Activities
Proprietary Funds
June 30, 2023

ASSETS	<u>2023</u>
Current Assets	
Cash and Cash Equivalents (Note 2) Certificates of Deposit	\$ 3,091,113 1,551,736
Accounts Receivables - Utility Billings (Net; Note 3)	995,794
Grant Receivable	517,750
Net Pension Asset	-
Prepaid Assets	38,633
Inventories	806,334
Total Current Assets	<u>7,001,360</u>
Non-Current Restricted Cash	
Restricted Certificates of Deposit	48,264
Restricted Investments	-
	<u>48,264</u>
Capital Assets:	
Buildings, Property & Equipment	35,184,986
Construction in Progress	1,278,803
Accumulated Depreciation	(17,672,076)
Total Capital Assets	<u>18,791,713</u>
Total Assets	<u>\$ 25,841,337</u>
Deferred Outflow of Resources	
Total Deferred Outflows-OMRF	549,154
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts Payable	\$ 918,881
Payroll Taxes Payable	6,419
Accrued Payroll	18,106
Accrued Interest Payable	-
Current Portion of Long Term Debt	28,818
Total Current Liabilities	<u>972,224</u>
Noncurrent Liabilities	
Accrued Compensated Absences	100,182
Net Pension Liability	319,932
Customer Deposits	324,554
Noncurrent Portion of Long Term Debt	1,398,737
Total Noncurrent Liabilities	<u>2,143,405</u>
Total Liabilities	<u>3,115,629</u>
Deferred Inflows of Resources	
Total Deferred Inflows of Resources-OMRF	157,230
Net Position	
Investment In Capital Assets	17,364,158
Restricted (Note 4)	48,264
Unrestricted	5,705,210
Total Net Position	<u>\$ 23,117,632</u>

The accompanying notes and auditor's report are an integral part of this statement.

Stilwell Area Development Authority
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
June 30, 2023

	ADMIN	BILLING and COLLECTION	WATER CONST	ELECTRIC	WATER	SEWER	SEWER CONST	Total Proprietary Funds
Operating Revenues:								
Charges for Services	\$ -	\$ -	\$ -	\$ 8,726,351	\$ 2,074,150	\$ 1,004,431	\$ -	\$ 11,804,932
Tap Fee Collections	-	-	-	-	4,350	2,000	-	6,350
Penalty	-	-	-	76,264	18,127	8,778	-	103,169
Re-Connect Fee	-	-	-	14,098	-	-	-	14,098
Transfer Fee	-	-	-	660	660	-	-	1,320
Miscellaneous Income	-	-	-	369	88	43	-	500
Cash Short/Over	-	-	-	61	15	7	-	83
AMP Deferred Revenue	-	-	-	3,826	909	440	-	5,175
Total Operating Revenue	-	-	-	8,821,629	2,098,299	1,015,699	-	11,935,627
Operating Expense								
Personal services cost	253,969	200,433	420,919	397,938	227,702	285,536	14,557	1,801,054
Power Cost	-	-	-	6,621,047	-	-	-	6,621,047
Materials & Supplies	16,256	14,721	59,478	129,285	232,299	281,253	4,230	737,522
Other Costs	602,392	28,029	43,573	109,322	257,753	278,586	-	1,319,655
Bad Debts	-	-	-	-	-	-	-	-
Depreciation	21,303	-	257,061	165,887	193,167	240,960	-	878,378
Capital Outlay	-	-	-	-	-	-	-	-
Total Operating Expenses	893,920	243,183	781,031	7,423,479	910,921	1,086,335	18,787	11,357,656
Operating Income (loss)	(893,920)	(243,183)	(781,031)	1,398,150	1,187,378	(70,636)	(18,787)	577,971
Nonoperating Revenues (expenses)								
Admin Allocation	893,920	-	-	(660,796)	(157,064)	(76,060)	-	-
Bill/Collect Allocation	-	243,183	-	(179,764)	(42,728)	(20,691)	-	-
Construction Allocation	-	-	781,031	-	(781,031)	-	-	-
Interest Expense	-	-	-	(19,840)	-	-	-	(19,840)
City Lease 5%	-	-	-	(578,996)	-	-	-	(578,996)
Sale of Surplus Property	-	-	-	3,450	-	-	-	3,450
Gain or (Loss) on Sale of Assets	-	-	-	(26,877)	-	-	-	(26,877)
Grants	-	-	-	-	-	922,606	-	922,606
Misc Revenue	-	-	-	76	-	355,294	-	355,370
Service Fee	(11,452)	-	-	-	-	-	-	(11,452)
Interest Revenue	-	-	-	40,245	-	-	-	40,245
Total nonoperating Revenue (expenses)	882,468	243,183	781,031	(1,422,502)	(980,823)	1,181,149	-	684,506
Total Increase in Net Position (Loss)	\$ (11,452)	\$ -	\$ -	\$ (24,352)	\$ 206,555	\$ 1,110,513	\$ (18,787)	1,262,477
Beginning of Year Net Position								21,855,155
End of Year Net Position								\$ 23,117,632

The accompanying notes and auditor's report are an integral part of this statement.

Stilwell Area Development Authority
Statement of Cash Flows
Proprietary Funds
June 30, 2023
Business Type Activities

	2023
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 11,491,823
Payments to Suppliers	(9,442,721)
Payments to Employees	(2,072,540)
Net Cash Provided by Operating Activities	(23,438)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(1,903,088)
Principal Paid on Capital Debt	(28,425)
Capital Debt Issued	-
Interest and Fees Paid	(19,840)
Net Cash Used by Capital Related Financing Activities	(1,951,353)
CASH FLOWS FORM INVESTING ACTITIVIES	
Payment to City Lease	(578,996)
Grants Received	892,606
Change in Investment Accounts	-
Change in Restricted Accounts	1,163,321
Sale of Surplus Equipment	3,450
Interest Revenue	40,245
Net Cash Provided by Investing Activities	1,520,626
Net Change in Cash and Cash Equivalents	(454,165)
Cash and Cash Equivalents Beginning of the Year	3,545,278
Cash and Cash Equivalents End of the Year	\$ 3,091,113
RECONCILATION OF OPERATING INCOME	
(Loss) to Net Cash Provided (Used) By Operating Activities	
Operating Income	\$ 577,971
Depreciation	783,815
Change in:	
Receivables	(454,997)
Prepays	(20,330)
Inventory	(282,826)
Accounts Payable & Pension Liabilities	(661,409)
Customer Meter Deposits	11,193
Accrued Interest	0
Accrued Payroll	3,596
Accrued Compensated Absences	19,549
Net Cash Provided by Operating Activities	\$ (23,438)

The accompanying notes and auditor's report are an integral part of this statement.

STILWELL AREA DEVELOPMENT AUTHORITY
NOTES THE TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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

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

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

Discretely Presented Component Units

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

Basis of Presentation

Fund Financial Statements:

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

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

The funds of the Authority are described below:

Proprietary Funds

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

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

Measurement Focus and Basis of Accounting

Measurement Focus

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

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

Basis of Accounting

In the Statement of Net Position and Statement of Activities, the business-like activities would be presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

Cash and Cash Equivalents

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

Interfund Receivables and Payables

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

Long-Term Liabilities

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

Compensated Absences

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

Inventories

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

Property and Equipment

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Operating and Non-Operating Revenues

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

NOTE 2: CASH AND INVESTMENTS

Cash and investments include all deposits held by financial institutions - money market accounts, savings accounts and certificates of deposit. At year-end, the bank balance of the Authority's deposits totaled \$4,691,113. All funds were either covered by federal depository insurance or collateralized by securities pledged to the Authority by various depository banks.

The following table summarizes the authority's cash and investments on June 30, 2023:

Acct Name	Maturity Date	Balance 6/30/2023	Restricted	Unrestricted
Cash on Hand		\$ 1,200	\$ -	\$ 1,200
Bank of Commerce				
Cash in Bank Operatin		1,564,668	-	1,564,668
Cash Depr Reserve		863,255	-	863,255
Cash Meter Deposit		224,760	-	224,760
Cash Wastewater Tre:		437,230	-	437,230
		<u>3,089,913</u>	-	<u>3,089,913</u>
Certificate 8/10/2025		1,000,000	48,264	951,736
Certificate 5/15/2023		100,000	-	100,000
Certificate 4/15/2022		100,000	-	100,000
Certificate 2/15/2023		100,000	-	100,000
Certificate 3/15/2023		100,000	-	100,000
Certificate 7/15/2022		100,000	-	100,000
Certificate 6/15/2023		100,000	-	100,000
		<u>1,600,000</u>	<u>48,264</u>	<u>1,551,736</u>
Totals		<u>\$4,691,113</u>	<u>\$ 48,264</u>	<u>\$ 4,642,849</u>

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

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023, represents outstanding charges for services provided. Aged accounts receivable was as follows:

Current	\$ 972,481
30 Days	14,041
60 Days	1,021
90 Days	1,344
120 Days and Over	6,906
Allowance for Bad Debt	-
Total Accounts Recievable	<u>\$ 995,794</u>

It is the authority's policy accrue allowance for bad debt equal to unpaid 90 day and over accounts receivable. For fiscal year 2023, there is no allowance for doubtful accounts due to the fact that all accounts over 90 days are written off each month.

NOTE 4: RESTRICTED ASSETS & RESERVED NET POSITION

Net Position is displayed in three components:

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

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

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

NOTE 5: CAPITAL ASSETS

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

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

	Beginning Balance July 1, 2022	Additions	Deletions	Ending Balance June 30, 2023
Property & Equipment with Life Less than 20 yrs	\$ 6,900,957	\$ 2,026,195	\$ (123,107)	\$ 8,804,045
Property & Equipment with Life More than 20 yrs	26,380,941	-	-	26,380,941
Total Depreciable Assets	<u>33,281,898</u>	<u>2,026,195</u>	<u>(123,107)</u>	<u>35,184,986</u>
Construction in Progress	<u>1,767,627</u>	<u>1,259,465</u>	<u>(1,748,289)</u>	<u>1,278,803</u>
Total Non-Depreciable Assets	<u>1,767,627</u>	<u>1,259,465</u>	<u>(1,748,289)</u>	<u>1,278,803</u>
Accumulated Depreciation	<u>(16,888,261)</u>	<u>(880,045)</u>	<u>96,230</u>	<u>(17,672,076)</u>
Total Net Fixed Assets	<u>\$ 18,161,264</u>	<u>\$ 2,405,615</u>	<u>\$ (1,775,166)</u>	<u>\$ 18,791,713</u>

NOTE 6: LONG-TERM DEBT

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

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

Type of Debt	Balance			Amount	
	6/30/2022	Additions	Reductions	6/30/2023	Due Within One Year
Business Type Activities:					
USDA Loans					
2021 (\$1,484,000)	1,455,980	-	(28,425)	1,427,555	28,818
Total Business Type Activities:	<u>\$ 1,455,980</u>	<u>\$ -</u>	<u>\$ (28,425)</u>	<u>\$ 1,427,555</u>	<u>\$ 28,818</u>

Current maturities of principal for each of the next five years and in aggregate, under the indebtedness mentioned above, is as follows:

Notes Payable:	Principal	Interest
2024	\$ 28,818	\$ 19,446
2025	29,217	19,047
2026	29,621	18,643
2027	30,031	18,233
2028	30,447	17,817
2029-2033	158,670	82,650
2034-2038	169,955	71,365
2039-2043	182,043	59,277
2044-2048	194,992	46,328
2049-2053	208,861	32,459
2054-2058	223,716	17,604
2059-2062	141,185	5,278
	<u>\$ 1,427,555</u>	<u>\$ 408,148</u>

NOTE 7: EMPLOYEE RETIREMENT PLAN

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

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

Eligibility Factors and Benefit Provisions

<u>Provision</u>	As of 07/01/22 <u>OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.

b. Period Required to Vest	5 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 65 with 5 years of service -Early retirement at age 55 with 5 years of service -Disability retirement upon disability with 5 years of service -Death benefit with 5 years of service for married employees
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
Normal Retirement	-2.25% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement
Death Benefit	-50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 7 Years of Service	-No benefits
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
g. Form of Benefit Payments	Normal form is a 60-month certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

Contribution Requirements-The City Council has the authority to set and amend contribution rates by ordinance for the OKMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 5.57% of covered payroll as of 7-1-22; however, management elected to contribute 4% of covered payroll as of 7-1-22. For the year ended June 30, 2023, the Authority recognized \$84,301 of employer contributions to the plan which exceeds the actuarially determined amount based on covered payroll of \$1,370,281; included in the contributions. Employees' contribution is 4.5% of covered payroll as of 7-1-22.

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2022
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.50%
c. Projected Salary Increase	Varies between 7.50% and 4.5% based on age
d. Post Retirement Cost-of-Living Increase	Benefits (attributable to service prior to 1/1/2010) in payment status are adjusted

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2022, are summarized in the following table:

Type	Target Allocation	Real Return	Weighted Return
Large Cap Stocks			
S & P 500	25.00%	5.80%	1.45%
Small / mid Cap Stocks			
Russell 2500	10.00%	6.40%	0.64%
Long/Short Equity			
MSCI ACWI	10.00%	5.00%	0.50%
International Stock			
MSCI EA FE	20.00%	6.20%	1.24%
Fixed Income Bonds			
Barclays Capital Aggregate	30.00%	2.30%	0.69%
Real Estate			
NCREIF	5.00%	4.60%	0.23%
Cash Equivalents			
3 month Treasury	0.00%	0.00%	0.00%
	100.00%		
	Average Real Return		4.75%
	Inflation		<u>2.75%</u>
	Long Term Expected Return		<u><u>7.50%</u></u>

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

	1% Decrease 6.50%	Current Discount Rate 7.5%	1% Increase 8.50%
Net Pension Liability	\$ 849,945	\$ 319,932	\$ (112,441)

The Authority reported \$32,285 pension expense for the year ended June 30, 2023. On June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 134,677	\$ 42,912
Changes of assumptions	17,060	112,898
Net difference between projected and actual earnings on pension plan investments	312,158	-
Changes in proportion	958	1,420
City contributions subsequent to the measurement date	84,300	-
Total	<u>\$ 549,153</u>	<u>\$ 157,230</u>

Amortization of Pension Deferrals - In the year ending June 30, 2023, \$541,154 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Total</u>
Year ended June 30:	
2024	82,444
2025	55,329
2026	33,809
2027	136,041
THEREAFTER	
	<u>\$ 307,623</u>

NOTE 8: CLAIMS AND JUDGEMENTS

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

NOTE 9: ALLOCATION OF INDIRECT COSTS

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

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

NOTE 10: COMMITMENTS AND CONTINGENCIES

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

At June 30, 2023, the authority had uncompleted construction for capital projects. The remaining commitment on these construction contracts was approximately \$ 467,650.

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 30, 2023, which is the date which the financial statements were available to be issued.

On August 21, 2023, the State of Oklahoma Department of Environmental Quality issued a consent order on the waste water treatment plant for violations issued on August 24, 2022 and May 25, 2023. As of December 30, 2023, the Authority has paid \$67,350 in fines and \$5,000 in engineering fees related to the consent order.

Schedules of Required Supplementary Information
OKLAHOMA MUNICIPAL RETIREMENT FUND
Schedule of Changes in Net Pension Liability and Related Ratios

LAST 9 YEARS

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

Notes to Schedule:

Only the last 9 years are presented because 10-year data is not yet available.

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

The accompanying notes and auditor's report are an integral part of this statement.

Schedules of Required Supplementary Information
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
OKLAHOMA MUNICIPAL RETIREMENT FUND
Last 9 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarial Determined Employer Contribution	\$ 197,222	\$ 186,667	\$ 165,899	\$ 196,015	\$ 102,561	\$ 105,270	\$ 163,915	\$ 167,586	190642
Contributions in relation to the actuarial determined employer contribution	235,630	224,090	1,257,397	95,761	102,910	105,084	162,144	132,351	220417
Contribution deficiency (excess)	<u>\$ (38,408)</u>	<u>\$ (37,423)</u>	<u>\$ (1,091,498)</u>	<u>\$ 100,254</u>	<u>\$ (349)</u>	<u>\$ 186</u>	<u>\$ 1,771</u>	<u>\$ 35,235</u>	<u>\$ (29,775)</u>
Utility covered-employee payroll	\$ 2,356,300	\$ 2,240,900	\$ 2,146,170	\$ 2,396,271	\$ 2,609,684	\$ 2,706,175	\$ 2,911,456	\$ 2,941,702	\$ 2,960,277
Contributions as a percentage of covered-employee payroll	10.00%	10.00%	58.59%	4.00%	3.94%	3.88%	5.57%	4.50%	7.45%

Notes to Schedule:

1. Only the current and eight prior fiscal years are presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2022
3. Actuarially determined contribution rate is calculated as of July 1, 2022 and is 6.44%.
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 25 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increases - 4.50% to 7.50% (varies by attained age)
 - Investment rate of return - 7.50%
5. This information includes activity for the City and the SADA, a discretely presented component unit.

The accompanying notes and auditor's report are an integral part of this statement.

MICHAEL W. GREEN

Certified Public Accountant

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STILWELL, OK. 74960
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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 Trustees
Stilwell Area Development Authority
Stilwell, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the major fund of the Stilwell Area Development Authority (the Authority), a component unit of the City of Stilwell, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements and have issued my report thereon dated December 30, 2023. The report contains an emphasis-of-matter paragraph (discussed in Note 1) related to the Authority being a component unit of the City of Stilwell.

Report on Internal Control over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs as items 2023-1 and 2023-2 that I consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-3.

The Authority's Response to Findings

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

Purpose of This Report

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

Regards,

A handwritten signature in black ink, appearing to read "Mike Green". The signature is stylized and cursive.

Michael Green, CPA
December 30, 2023

MICHAEL W. GREEN

Certified Public Accountant

827 W. Locust Street
STILWELL, OK. 74960
(918) 696-6298

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited the Stilwell Area Development Authority's (the Authority), a component unit of the City of Stilwell, Oklahoma, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Authority's major federal programs for the year ended June 30, 2023. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

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). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an

opinion on the Authority's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Report on Internal Control over Compliance

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-02 to be a material weakness.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Authority's response to the internal control over compliance finding identified in my compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Regards,

A handwritten signature in black ink, appearing to read "Michael Green". The signature is stylized with a large, looped initial "M" and "G".

Michael Green, CPA
December 30, 2023

**STILWELL AREA DEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Federal/State Grantor/Pass Thru Agency Grantor/Program Title	Federal CFDA Number	Pass-through or Grant Number	Federal Award Amount	Federal Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF THE TREASURY:</u>				
<i>Passed through the Cherokee Nation</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 1,292,000	\$ 824,350
<i>Passed through the Oklahoma Department of Environmental Quality</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>53,100</u>	<u>30,000</u>
Total U.S. Department of Treasurer			<u>1,345,100</u>	<u>854,350</u>
 <u>U.S. DEPARTMENT OF COMMERCE:</u>				
<i>Passed through City of Stilwell, Oklahoma</i>				
Economic Adjustment Assistance	11.307	08-01-05159	<u>1,500,000</u>	<u>68,256</u>
Total U.S. Department of Commerce			<u>1,500,000</u>	<u>68,256</u>
 Total Federal Award Expenditures			 <u><u>\$ 2,845,100</u></u>	 <u><u>\$ 922,606</u></u>

STILWELL AREA DEVELOPMENT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2023. The information in this SEFA is presented in accordance with the 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). Because the SEFA presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – LOANS AND LOAN GUARANTEES

The Authority was awarded an United States Department of Agriculture, Water and Waste Disposal Loan in the amount of \$1,484,000, at 1.375 percent interest payable over 40 years. This loan was funded in fiscal year 2022 and was used to pay off the existing construction loan. There is no continuing audit requirement for this loan since it has entered into the repayment/debt service stage, consequently, no amount is presented on the SEFA for this loan.

STILWELL AREA DEVELOPMENT AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements were in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies)? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies)? yes no

Type of auditor’s report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>Program</u>	<u>ALN Number</u>
Coronavirus State and Local Fiscal Recovery Funds	21.027

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

Auditee qualified as a low-risk auditee? yes no

STILWELL AREA DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Year Ended June 30, 2023

Section II – Findings Required to be Reported in Accordance with Government Auditing Standards:

2023-01 Inventory Control

Repeat Finding

Criteria: One component of an effective internal control system is proper supervisory review and use of inventory control procedures to ensure adequate perpetual inventory is maintained and recorded.

Condition: After a year end physical inventory was conducted, an adjustment of \$199,258 was required to balance the financial statements.

Cause and Effect: Inadequate control over inventory distribution process and supervision of the work order process resulted in inaccurate recording of inventory assets and expenses throughout the period.

Recommendation: I recommend the Authority review inventory policies and procedures with management, supervisors, and employees as well as provide specific training to employees involved with inventory control with an emphasis of utilizing work orders to ensure the inventory control system works properly.

Responsible Official's Response: Management will work with the warehouse manager to implement procedures to better monitor inventory purchased and used in operations.

2023-02 Month End Closing

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

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

Cause and Effect: Inadequate control over the software and reconciliation to the general ledger caused the unreconciled differences. The difference in inventory was adjusted by management. The differences in accounts receivable and customer deposits were not material to the financial statements and adjustments have been waived.

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

Responsible Official's Response: Management will work with the software company and employees to implement procedures to ensure monthly reconciliations of balance sheet items.

STILWELL AREA DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Year Ended June 30, 2023

2023-03 Timely Ordering of Audit

Criteria: Title §60-180.1 of the Oklahoma Statutes requires that audits must be ordered within 30 days of the close of the fiscal year.

Condition: The Authority is not in compliance with State Statutes. The audit was not ordered within the 30 days allowed.

Cause and Effect: The Authority is required to hire an auditor within 30 days of the close of the fiscal year. Not following this State Statute can cause the audit to not be timely filed.

Recommendation: I recommend the Authority follow the State Statute by hiring an auditor within the stated amount of time allowed.

Responsible Official's Response: Management will strive to hire an auditor within the stated amount of time allowed.

Section III – Findings Required to be Reported in Accordance with Uniform Guidance:

2023-02 Month End Closing

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

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

Cause and Effect: Inadequate control over the software and reconciliation to the general ledger caused the unreconciled differences. The difference in inventory was adjusted by management. The differences in accounts receivable and customer deposits were not material to the financial statements and adjustments have been waived.

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

Responsible Official's Response: Management will work with the software company and employees to implement procedures to ensure monthly reconciliations of balance sheet items.

STILWELL AREA DEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2023

2022-01 – Inventory Control

Inadequate control over inventory distribution process and supervision of the work order process resulted in inaccurate recording of inventory assets and expenses throughout the period.

Corrective Action Plan:

Responsible Official's Response: Management will work with the warehouse manager to implement procedures to better monitor inventory purchased and used in operations.