

**STILWELL AREA
DEVELOPMENT AUTHORITY**

Annual Financial Statements & Independent Auditor's Report

Year Ended June 30, 2022



STILWELL AREA DEVELOPMENT AUTHORITY
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2022

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Management's Discussion and 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, 2022. 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 \$22,077,794.

The Authority's net position Increased from \$20,678,959 to \$21,855,155, which is an increase of \$1,176,196.

The Authority's cash, cash equivalents, and CD's unreserved of \$5,097,014 at June 30, 2022.

Overview of the Financial Statements

This discussion and analysis are 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 \$1,176,196 for the year ended June 30, 2022. The following table provides a summary of net position.

NET POSITION			
	2020-2021 Total Proprietary Funds June 30, 2021	2021-2022 Total Proprietary Funds June 30, 2022	Net Change
ASSETS			
Current Assets	\$ 5,244,575	\$ 7,073,092	\$ 1,828,517
Net Fixed Assets	18,057,852	18,161,264	103,412
Deferred Outflows	<u>278,816</u>	<u>291,669</u>	<u>12,853</u>
TOTAL ASSETS	<u><u>\$ 23,581,243</u></u>	<u><u>\$ 25,526,025</u></u>	<u><u>1,944,782</u></u>
LIABILITIES AND NET POSITION			
Current Liabilities	\$ 1,382,286	\$ 1,335,013	(47,273)
Non-Current Liabilities	1,455,850	1,821,549	365,699
Deferred Inflows	64,148	514,308	450,160
Net Position	<u>20,678,959</u>	<u>21,855,155</u>	<u>1,176,196</u>
	<u><u>\$ 23,581,243</u></u>	<u><u>\$ 25,526,025</u></u>	<u><u>\$ 1,944,782</u></u>

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2021-2022 Total Proprietary Funds	2021-2022 Total Proprietary Funds	Net Change
Operating Revenue	\$ 8,904,535	\$ 10,923,693	\$ 2,019,158
Operating Expenses	<u>7,800,000</u>	<u>9,833,726</u>	<u>(2,033,726)</u>
Net Income From Operations	1,104,535	1,089,967	(14,568)
Non-Operating Revenues &(Expense)	<u>1,632,434</u>	<u>86,229</u>	<u>(1,546,205)</u>
Change in Net Position	2,736,969	1,176,196	(1,560,773)
Total Net Position Beginning of Year	19,430,848	22,167,817	(2,736,969)
Total Net Position End of Year	<u>\$ 22,167,817</u>	<u>\$ 23,344,013</u>	<u>\$ 1,176,196</u>

ANALYSIS OF BUDGET VS ACTUAL 2021- 2022

	Budget	Actual	Variance
Revenue			
Electric Revenue	6,500,000	7,755,012	(1,255,012)
Water Sales	1,900,000	1,968,423	(68,423)
Sewer Sales	1,035,805	956,962	78,843
Other Revenue	594,032	281,639	312,393
Grant Revenue	<u>750,000</u>	<u>467,044</u>	<u>282,956</u>
Total Revenue	<u>10,779,837</u>	<u>11,429,080</u>	<u>(649,243)</u>
Expenses			
Administrative	764,112	728,177	35,935
Billing & Collection	252,915	213,162	39,753
Water/Sewer Construction	801,113	705,665	95,448
Electric	7,014,320	6,998,747	15,573
Water Filtration	1,180,953	806,899	374,054
Waster Treatment	1,526,536	744,181	782,355
Waste Disposal	80,123	48,596	31,527
Meter Deposits	<u>-</u>	<u>7,457</u>	<u>(7,457)</u>
Total Expenses	<u>11,620,072</u>	<u>10,252,884</u>	<u>1,367,188</u>
Increase in Net Position	<u>(840,235)</u>	<u>1,176,196</u>	<u>(2,016,431)</u>

Capital Assets

The investment in capital assets as of June 30th Increased from \$34,216,206 to \$35,049,525.

	Fiscal Year 2020 - 2021	Fiscal Year 2021 - 2022	Increase (Decrease)
Office Equipment	238,228	-	238,228
Trucks	1,696,780	115,815	1,812,595
Tractors/Trailers/Mowers	835,519	-	835,519
Construction Equipment	759,367	132,475	891,842
Land/Improvements	1,583,474	47,886	1,631,360
Infrastructure Improvements	20,482,976	7,389,378	27,872,354
Construction in Progress	8,619,862	(6,852,235)	1,767,627
Investment in Capital Assets	34,216,206	833,319	35,049,525
Accumulated Depreciation	(16,158,353)	(729,908)	(16,888,261)
Net Fixed Assets	18,057,853	103,411	18,161,264

The most significant increases to Fixed Assets and Equipment in 2021-2022 was to Infrastructure Improvements. The construction in progress was related to infrastructure improvements at the wastewater treatment plant. This project was completed prior to the end of the fiscal year.

During 2022 the Authority continued working on a multi-year project to rehabilitate the wastewater treatment plant. The improvements are in response to both an economic development project for a local manufacturing facility and the Authority's desire to increase capacity and reliability of the facility. The project was competitively bid, and a contract was awarded for \$5,527,000. Financing for the project included \$3,789,000 in grant funds and a low interest loan was also secured from USDA for \$1.484 million at 2% for a term of 40 years. The balance of the cost will be cash from operating income of SADA. The project was approximately 95% complete at June 30, 2021. This project was completed at year end, due to a disagreement with the contractor final payment was not made until December of 2022. The final payment was made in December for \$350,000 and both parties signed off on a settlement and agreed to hold each other harmless.

During fiscal year 2022, SADA continued the installation of an automated meter infrastructure (AMI) project. During the current year, the project continued and was 99% complete for electric meters and 95% for water meters. At full implementation, the electric and water systems will be monitored and managed using computer software and mobile devices which will serve to read meters, identify line losses in electrical distribution, identify electrical outages, isolate water loss, identify needs in infrastructure replacement. This project is estimated to be completed in fiscal year 2023.

During the previous fiscal year, SADA was awarded funds from the Cherokee Nation COVID Relief Funds in the amount of \$235,000 for pre-engineering study for a new water treatment plant, full engineering of a raw water intake pumphouse and full engineering for a second Flow Equalization Basin (FEB) at the wastewater treatment plant. The pre-engineering for the water treatment plant and full engineering was completed for the raw water intake and FEB was completed. Subsequently, Cherokee Nation funded the plans and specifications for the raw water intake and FEB along with the full engineering, plans & specifications for the water treatment plant at a total cost of \$1,292,000. All three projects were submitted by Cherokee Nation on behalf of SADA to the State of Oklahoma – Oklahoma Water Resources Board for consideration of ARPA funding from the state's OWRB set aside

for water and wastewater projects in Oklahoma. On September 1, 2022, OWRB was notified by Secretary of Energy & Environment Kenneth Wagner that the projects have been approved for funding. 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
Total Cost	\$ 22,280,000

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
Total Funding	\$ 22,280,000

Formal applications are slated to be submitted to OWRB in January 2023, but approval of these grant funds is very likely. Grant funds from the Indian Health Service should be available by June 2023. Subject to permits to construct from the Oklahoma Department of Environmental Quality, SADA expects one or all these projects to be competitively bid, awarded and construction to begin by September 2023.

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.

Debt

At June 30, 2022, the Authority had outstanding debt in the amount of \$1,455,980. On June 30, 2021, the Authority signed a promissory note with USDA for 1,484,000 at 1.375% interest, payable over 40 years. This loan was funded on July 6th, 2021, and the proceeds were used to pay off the existing construction loan.

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.

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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, 2022, 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, 2022, 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, 2022, 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 me 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, 2022, 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 the Authority's internal control over financial reporting and compliance.

Regards,



Michael Green, CPA
December 30, 2022

Stilwell Area Development Authority
Statement of Net Position, Business Type Activities
Proprietary Fund
June 30, 2022

ASSETS	<u>2022</u>
Current Assets	
Cash and Cash Equivalents (Note 2)	\$ 3,545,278
Certificates of Deposit	1,551,736
Receivables - Utility Billings (Net; Note 3)	1,058,547
Net Pension Asset	327,456
Prepaid Assets	18,303
Inventories	523,508
Total Current Assets	<u>7,024,828</u>
Non-Current Restricted Cash	
Restricted Certificates of Deposit	48,264
Restricted Investments	-
	<u>48,264</u>
Capital Assets:	
Buildings, Property & Equipment	33,281,898
Construction in Progress	1,767,627
Accumulated Depreciation	(16,888,261)
Total Capital Assets	<u>18,161,264</u>
Total Assets	<u>25,234,356</u>
Deferred Outflow of Resources	
Total Deferred Outflows-OMRF	<u>291,669</u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts Payable	1,282,099
Payroll Taxes Payable	9,979
Accrued Payroll	14,510
Accrued Interest Payable	-
Current Portion of Long Term Debt	28,425
Total Current Liabilities	<u>1,335,013</u>
Noncurrent Liabilities	
Accrued Compensated Absences	80,633
Net Pension Liability	-
Customer Deposits	313,361
Noncurrent Portion of Long Term Debt	1,427,555
Total Noncurrent Liabilities	<u>1,821,549</u>
Total Liabilities	<u>3,156,562</u>
Deferred Inflows of Resources	
Total Deferred Inflows of Resources-OMRF	<u>514,308</u>
Net Position	
Investment In Capital Assets	16,705,284
Restricted (Note 4)	48,264
Unrestricted	5,101,607
Total Net Position	<u>\$ 21,855,155</u>

Stilwell Area Development Authority
Statement of Revenues, Expenses and Change in Net Position
Proprietary Funds
June 30, 2022

	ADMIN	BILLING and COLLECTION	WATER CONST	ELECTRIC	WATER	SEWER	SEWER CONST	Total Proprietary Funds
Operating Revenues:								
Charges for Services	\$ -	\$ -	\$ -	\$ 7,755,012	\$ 1,968,423	\$ 956,962	\$ -	\$ 10,680,397
Tap Fee Collections	-	-	-	-	5,000	4,250	-	9,250
Penalty	-	-	-	64,770	16,429	7,825	-	89,024
Re-Connect Fee	-	-	-	12,350	-	-	-	12,350
Transfer Fee	-	-	-	636	636	-	-	1,272
Miscellaneous Income	-	-	-	566	144	139,261	-	139,971
Cash Short/Over	-	-	-	(73)	(18)	(9)	-	(100)
AMP Deferred Revenue	-	-	-	(6,151)	(1,561)	(759)	-	(8,471)
Total Operating Revenue	-	-	-	7,827,110	1,989,053	1,107,530	-	10,923,693
Operating Expense								
Personal services cost	105,252	175,490	332,856	342,113	238,399	234,413	38,242	1,466,765
Power Cost	-	-	-	5,825,991	-	-	-	5,825,991
Materials & Supplies	18,590	14,012	182,989	261,744	200,428	183,911	10,354	872,028
Other Costs	509,245	23,660	31,075	33,281	227,309	116,131	-	940,701
Bad Debts	-	-	-	-	-	-	-	-
Depreciation	21,527	-	137,282	169,901	165,285	234,246	-	728,241
Capital Outlay	-	-	-	-	-	-	-	-
Total Operating Expenses	654,614	213,162	684,202	6,633,030	831,421	768,701	48,596	9,833,726
Operating Income (loss)	(654,614)	(213,162)	(684,202)	1,194,080	1,157,632	338,829	(48,596)	1,089,967
Nonoperating Revenues (expenses)								
Admin Allocation	654,614	-	-	(475,314)	(120,647)	(58,653)	-	-
Bill/Collect Allocation	-	213,162	-	(154,776)	(39,287)	(19,099)	-	-
Construction Allocation	-	-	684,202	-	(684,202)	-	-	-
Interest Expense	-	-	-	(21,463)	-	-	-	(21,463)
City Lease 5%	-	-	-	(390,239)	-	-	-	(390,239)
Sale of Surplus Property	-	-	-	3,475	-	-	-	3,475
Grants	-	-	-	-	-	467,044	-	467,044
Misc Revenue	-	-	-	1,371	-	-	-	1,371
Interest Revenue	-	-	-	26,041	-	-	-	26,041
Total nonoperating Revenue (expenses)	654,614	213,162	684,202	(1,010,905)	(844,136)	389,292	-	86,229
Total Increase in Net Position (Loss)	\$ -	\$ -	\$ -	\$ 183,175	\$ 313,496	\$ 728,121	\$ (48,596)	1,176,196
Beginning of Year Net Position								20,678,959
End of Year Net Position								\$ 21,855,155

Stilwell Area Development Authority
Statement of Cash Flows
Proprietary Flows
June 30, 2022
Business Type Activities

	2022
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 10,833,998
Payments to Suppliers	(7,106,600)
Payments to Employees	(1,209,117)
Net Cash Provided by Operating Activities	<u>2,518,281</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(7,685,554)
Principal Paid on Capital Debt	(28,020)
Capital Debt Issued	0
Interest and Fees Paid	(21,463)
Net Cash Used by Capital Related Financing Activities	<u>(7,735,037)</u>
CASH FLOWS FORM INVESTING ACTIVITIES	
Payment to City Lease	(390,239)
Grants Received	467,044
Change in Investment Accounts	-
Change in Restricted Accounts	6,526,149
Sale of Surplus Equipment	3,475
Interest Revenue	26,041
Net Cash Provided by Investing Activities	<u>6,632,470</u>
Net Change in Cash and Cash Equivalents	1,415,714
Cash and Cash Equivalents Beginning of the Year	2,129,564
Cash and Cash Equivalents End of the Year	<u>\$ 3,545,278</u>
RECONCILIATION OF OPERATING INCOME	
(Loss) to Net Cash Provided (Used) By Operating Activities	
Operating Income	\$ 1,089,967
Depreciation	729,908
Change in:	
Receivables	(98,010)
Prepays	13,693
Inventory	(1,030)
Accounts Payable & Pension Liabilities	771,683
Customer Meter Deposits	8,315
Accrued Interest	0
Accrued Payroll	(76,878)
Accrued Compensated Absences	80,633
Net Cash Provided by Operating Activities	<u>\$ 2,518,281</u>

STILWELL AREA DEVELOPMENT AUTHORITY
NOTES THE TO FINANCIAL STATEMENTS
JUNE 30, 2022

**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 at cost.

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 \$5,145,278. 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, 2022:

Acct Name	Maturity Date	Balance 6/30/2022	Restricted	Unrestricted
Cash on Hand		\$ 1,200	\$ -	\$ 1,200
Bank of Commerce				
Cash in Bank Operating		1,760,199	-	1,760,199
Cash Depr Reserve		854,587	-	854,587
Cash Meter Deposit		241,552	-	241,552
Cash Wastewater Treatment		687,740	-	687,740
		<u>3,544,078</u>	-	<u>3,544,078</u>
Certificate of Deposit # 1	8/10/2025	1,000,000	48,264	951,736
Certificate of Deposit # 2	5/15/2023	100,000	-	100,000
Certificate of Deposit # 3	4/15/2023	100,000	-	100,000
Certificate of Deposit # 4	2/15/2023	100,000	-	100,000
Certificate of Deposit # 5	3/15/2023	100,000	-	100,000
Certificate of Deposit # 6	7/15/2023	100,000	-	100,000
Certificate of Deposit # 7	6/15/2023	100,000	-	100,000
		<u>1,600,000</u>	<u>48,264</u>	<u>1,551,736</u>
Totals		<u>\$5,145,278</u>	<u>\$ 48,264</u>	<u>\$ 5,097,014</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, 2022, represents outstanding charges for services provided. Aged accounts receivable was as follows:

Current	\$ 1,045,362
30 Days	12,515
60 Days	2,404
90 Days	2,003
120 Days and Over	5,320
Allowance for Bad Debt	(9,057)
Total Accounts Recievable	<u>\$ 1,058,547</u>

It is the authority's policy accrue allowance for bad debt equal to unpaid 90 day and over accounts receivable. For fiscal year 2022, the allowance for doubtful accounts were estimated to be \$9,057, which approximates 1% of outstanding accounts receivable.

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, 2021	Additions	Deletions	Ending Balance June 30, 2022
Property & Equipment with Life Less than 20 yrs	\$ 6,306,125	\$ 594,832	\$ -	\$ 6,900,957
Property & Equipment with Life More than 20 yrs	19,290,219	7,090,722	-	26,380,941
Total Depreciable Assets	<u>25,596,344</u>	<u>7,685,554</u>	<u>-</u>	<u>33,281,898</u>
Construction in Progress	<u>8,619,861</u>	<u>-</u>	<u>(6,852,234)</u>	<u>1,767,627</u>
Total Non-Depreciable Assets	<u>8,619,861</u>	<u>-</u>	<u>(6,852,234)</u>	<u>1,767,627</u>
Accumulated Depreciation	<u>(16,158,353)</u>	<u>(729,908)</u>	<u>-</u>	<u>(16,888,261)</u>
Total Net Fixed Assets	<u>\$ 18,057,852</u>	<u>\$ 6,955,646</u>	<u>\$ (6,852,234)</u>	<u>\$ 18,161,264</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 February 27, 2019, the Stilwell Area Development Authority signed a promissory note not to exceed \$4,000,000 from the Bank of Commerce in Stilwell OK. The note is to be utilized for interim financing, if needed to construct improvements to the Wastewater Treatment Facilities. The note carries a variable rate determined annually and matures on February 27, 2024. On June 30, 2022, the loan balance was \$0. The

current interest rate is 5%. During the year ended June 30, 2022, the United States Department of Agriculture funded a note (signed on June 30, 2021) that paid this Bank of Commerce note in full.

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, 2022. 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 6/30/2021	Additions	Reductions	Balance 6/30/2022	Amount Due Within One Year
Business Type Activities:					
USDA Loans					
2021 (\$1,484,000)	1,484,000	-	(28,020)	1,455,980	28,425
Line of Credit					
Bank of Commerce	1,484,000		(1,484,000)	-	-
Total Business Type Activities:	<u>\$ 2,968,000</u>	<u>\$ -</u>	<u>\$(1,512,020)</u>	<u>\$ 1,455,980</u>	<u>\$ 28,425</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
2023	\$ 28,425	\$ 19,839
2024	28,818	19,446
2025	29,217	19,047
2026	30,031	18,233
2027	30,447	17,817
2028-2032	156,504	84,816
2033-2037	167,636	73,684
2038-2042	179,559	61,761
2043-2047	192,330	48,990
2048-2052	206,010	35,310
2053-2057	220,663	20,657
2058-2061	186,342	5,278
	<u>\$ 1,455,980</u>	<u>\$ 424,879</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>	<u>As of 07/01/21 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 7-1-21; however, management elected to contribute 4% of covered payroll as of 7-1-21. For the year ended June 30, 2022, the Authority recognized \$64,599 of employer contributions to the plan which exceeds the actuarially determined amount based on covered payroll of \$1,135,513; included in the contributions. Employees' contribution is 4.5% of covered payroll as of 7-1-21.

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2021
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, 2021, 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	\$ 208,850	\$ (327,456)	\$ (764,465)

The Authority reported \$73,563 pension expense for the year ended June 30, 2022. On June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 187,918	\$ 21,923
Changes of assumptions	37,423	-
Net difference between projected and actual earnings on pension plan investments	-	489,568
Changes in proportion	1,728	2,817
City contributions subsequent to the measurement date	64,599	-
Total	<u>\$ 291,668</u>	<u>\$ 514,308</u>

Amortization of Pension Deferrals - In the year ending June 30, 2022, \$291,669 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:	
2023	(49,924)
2024	(53,652)
2025	(80,987)
2026	(102,676)
THEREAFTER	
	<u>\$ (287,239)</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, 2022, the authority had uncompleted construction for capital projects. The remaining commitment on these construction contracts was approximately \$ 0.00.

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 30, 2022, which is the date which the financial statements were available to be issued.

On November 17, 2022, subsequent to the fiscal year end, the Authority and a contractor reached an agreement to conclude final payments for the sewer improvement project. These financial statements have been updated to reflect the final agreement.

Schedules of Required Supplementary Information
OKLAHOMA MUNICIPAL RETIREMENT FUND
Schedule of Changes in Net Pension Liability and Related Ratios
LAST 7 YEARS

	2015	2016	2017	2018	2019	2020	2021
Total pension liability							
Service cost	\$ 179,893	\$ 183,591	\$ 190,323	\$ 177,583	\$ 179,703	\$ 197,086	\$ 230,798
Interest	591,364	602,074	627,855	647,453	649,317	661,226	702,937
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	-	4,295	(53,974)	(140,028)	(26,682)	101,138	(89,071)
Changes of assumptions	-	-	-	213,617	-	254,519	-
Benefit payments, including refunds of member contributions	(454,542)	(451,754)	(463,052)	(561,431)	(630,084)	(657,515)	(658,129)
Net change in total pension liability	316,715	338,206	301,152	337,194	172,254	556,454	186,535
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
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
Plan fiduciary net position							
Contributions - employer	\$ 205,752	\$ 235,630	\$ 224,090	\$ 1,256,166	\$ 95,751	\$ 103,042	\$ 105,197
Contributions - member	111,151	106,033	100,845	96,017	107,798	117,048	121,694
Net investment income	1,066,365	206,620	63,420	905,296	665,271	616,672	380,598
Benefit payments, including refunds of member contributions	(454,542)	(451,754)	(463,052)	(561,431)	(630,084)	(657,515)	(658,129)
Administrative expense	(15,767)	(15,369)	(14,751)	(15,801)	(18,544)	(18,845)	(19,292)
Net change in plan fiduciary net position	912,959	81,160	(89,448)	1,680,247	220,192	160,402	(69,932)
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
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
Net pension liability (asset) - ending (a) - (b)	\$ 555,505	\$ 812,551	\$ 1,203,151	\$ (139,902)	\$ (187,840)	\$ 208,212	\$ 464,679
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%
Covered employee payroll	\$ 2,057,520	\$ 2,356,300	\$ 2,240,900	\$ 2,146,170	\$ 2,396,271	\$ 2,605,176	\$ 2,642,983
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%

Notes to Schedule:

Only the last 7 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.

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

Last 8 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
Actuarial Determined Employer Contribution	\$ 197,222	\$ 186,667	\$ 165,899	\$ 196,015	\$ 102,561	\$ 105,270	\$ 163,915	\$ 167,586
Contributions in relation to the actuarial determined employer contribution	<u>235,630</u>	<u>224,090</u>	<u>1,257,397</u>	<u>95,761</u>	<u>102,910</u>	<u>105,084</u>	<u>162,144</u>	<u>132,351</u>
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>
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
Contributions as a percentage of covered-employee payroll	10.00%	10.00%	58.59%	4.00%	3.94%	3.88%	5.57%	4.50%

Notes to Schedule:

1. Only the current and seven prior fiscal years are presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2021
3. Actuarially determined contribution rate is calculated as of July 1, 2021 and is 5.63%.
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 - 4.00% to 7.42% (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.

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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, 2022, 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, 2022.

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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-01 that I consider to be a significant deficiency.

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 no

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

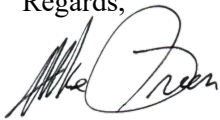
The Authority's Response to Findings

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 'Michel Green', is positioned above the printed name.

Michel Green, CPA
December 30, 2022

MICHAEL W. GREEN
Certified Public Accountant
827 West 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, 2022. 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, 2022.

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

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.

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. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However,

material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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', with a stylized, cursive script.

Michael Green, CPA
December 30, 2022

STILWELL AREA DEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Federal/State Grantor/Pass Thru Agency Grantor/Program Title	Federal CFDA Number	Pass-thorough or Grant Number	Federal Award Amount	Federal Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 1,484,000 *	\$ 1,484,000
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	<u>376,000</u>	<u>376,000</u>
Total U.S. Department of Economic Development			<u>1,860,000</u>	<u>1,860,000</u>
<u>U.S. DEPARTMENT OF COMMERCE:</u>				
<u>Pass-thorough City of Stilwell, Oklahoma</u>				
Economic Adjustment Assistance	11.307	08-01-05159	<u>1,500,000</u>	<u>159,300</u>
Total Federal Award Expenditures			<u><u>\$ 3,360,000</u></u>	<u><u>\$ 2,019,300</u></u>

* USDA Rural Utilities Service (RUS) Loan

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

Year Ended June 30, 2022

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, 2022. 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

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

2022-01 Inventory Control

Repeat Finding

Criteria: On 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 \$45,534 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.

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

None to report for the June 30, 2022, period

STILWELL AREA DEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2022

2021-01 – 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.