

CITY OF STILLWATER, OKLAHOMA

**SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES**

Year Ended June 30, 2024



CITY OF STILLWATER, OKLAHOMA

**SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES
Year Ended June 30, 2024**

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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 Honorable Mayor and Members of the City Council
City of Stillwater, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stillwater, Oklahoma (the “City”) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 18, 2024. Our report includes a reference to other auditors who audited the financial statements of the Stillwater Medical Center Authority (the “Medical Center”) as described in our report on the City’s financial statements. The financial statements of the Medical Center were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Medical Center or that are reported on separately by those auditors who audited the financial statements of the Medical Center.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2024-001 that we consider to be a significant deficiency.

HSPG & ASSOCIATES, PC

Report on Compliance and Other Matters

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

City's Response to Finding

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

Purpose of This Report

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

HSPG & Associates, P.C.

December 18, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER
COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council
City of Stillwater, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Stillwater, Oklahoma's (the City's) 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 the City's major federal programs for the year ended June 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City'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 City's federal programs.

HSPG & ASSOCIATES, PC

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Auditor's Responsibilities for the Audit of Compliance

Our 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 City's compliance based on our 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 City'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, we:

- 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City'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 City's internal control over compliance. Accordingly, no such opinion is expressed.

We are 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 we 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we 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.

Our 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 our 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basis financial statements. We issued our report thereon dated December 18, 2024, which contained unmodified opinions on those financial statements. Our audit report includes a reference to other auditors. Our audit was performed for the purpose of forming opinions on those financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

HSPG & Associates, P.C.

December 18, 2024

CITY OF STILLWATER, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

Federal Grantor / Pass-Through Grantor / Program Title	Grant Number	Assistance Listing Number	Expenditures
<u>U.S. Department of Housing and Urban Development:</u>			
Community Development Block Grants:			
Passed through Oklahoma Department of Commerce:			
COVID-19 Utility & Rent Assistance	CDBG-CV	14.228	\$ 195,556
Community Development Block Grant	18266 CDBG SC 21	14.228	55,805
Total U.S. Department of Housing and Urban Development			251,361
<u>U.S. Department of Justice:</u>			
Internet Crimes Against Children Grant:			
Passed through Oklahoma State Bureau of Investigation:			
Oklahoma Internet Crimes Against Children	FY24 ICAC Grant	16.800	3,714
Total U.S. Department of Justice			3,714
<u>U.S. Department of Transportation</u>			
Airport Improvement Programs:			
Airport Improvement Program - Master Plan Update	3-40-0090-033-2021	20.106	55,136
COVID-19 American Rescue Plan Act	3-40-0090-035-2022	20.106	309,888
Airport Improvement Program - BIL Grant #1	3-40-0090-038-2022	20.106	74,497
Airport Improvement Program - BIL Grant #2	3-40-0090-039-2023	20.106	715,965
Terminal Construction Grant	3-40-0090-040-2023	20.106	715,965
Sub-total			1,871,451
Passed through Oklahoma Highway Safety Office			
State and Community Highway Safety	PT-24-03-42-01	20.600	10,432
Total U.S. Department of Transportation			1,881,883
<u>U.S. Department of Treasury</u>			
Coronavirus State and Local Fiscal Recovery Funds:			
Passed through Oklahoma Water Resources Board			
COVID-19 - ARP-23-0135-G	-	21.027	1,383,080
Passed through State of Oklahoma:			
COVID-19 - American Rescue Plan Act	-	21.027	4,001,604
Total U.S. Department of Treasury			5,384,684
<u>National Endowment for the Humanities:</u>			
Grants to States:			
Passed through Oklahoma Department of Libraries:			
Health Literacy Project	-	45.310	9,000
eMedia	-	45.310	50,000
LTSA Emedia Grant	-	45.310	50,000
OLA Conference Grant	-	45.310	1,725
Total National Endowment for the Humanities			110,725
<u>U.S. Department of Energy</u>			
State Energy Programs:			
Passed through Oklahoma Department of Commerce			
Energy Efficiency Lighting Retrofit Program 2023	19382 Sep 23	81.041	67,564
Total U.S. Department of Energy			67,564
<u>U.S. Department of Homeland Security:</u>			
Public Assistance - Disaster Grant:			
Passed through Oklahoma Department of Emergency Management:			
June 2023 Storms	DR-4721	97.036	45,223
Emergency Management Performance Grants:			
Emergency Management Performance Grant	EMPG-24	97.042	25,000
Emergency Management Performance Grant	EMPG-23	97.042	25,000
Sub-total			50,000
Assistance to Firefighters Grant:			
Fire Assistance Grant	EMW-2021-FG-02169	97.044	85,846
Building Resilient Infrastructure and Communities Grants:			
Hazard Mitigation Assistance - Stormwater Master Plan	EMT-2021-PC-001/PDMC-PL-06-OK-2019-002	97.047	40,727
Ice Storm- October 2021	DR-4575	97.047	81,258
Sub-total			121,985
Total U.S. Department of Homeland Security			303,054
Total expenditures of federal awards			\$ 8,002,985

See accompanying notes to schedule of expenditures of federal awards.

CITY OF STILLWATER, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Stillwater, Oklahoma (the City) under programs of the federal government for the year ended June 30, 2024. The City's reporting entity is defined in Note 1 to the City's basic financial statements. The information in this Schedule 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 Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position, or, where applicable, cash flows of the City.

2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 of the City's basic financial statements. The 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 City has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3) Subrecipients

The City did not provide federal awards to subrecipients during the year ended June 30, 2024.

CITY OF STILLWATER, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

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

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

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish
Between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

**CITY OF STILLWATER, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)**

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Finding

None

Internal Control Finding

Finding 2024-001

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – PRIOR YEAR FINDINGS

There were no findings in the prior year that were required to be reported.

CITY OF STILLWATER, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Financial Statement Finding

Finding 2024-001 Power Plant Inventory

Criteria: Controls should be in place to ensure inventories of materials and supplies are recorded at a weighted average cost that includes all costs incurred to acquire an item and to ensure items remain in inventory until utilized in production.

Condition: At year-end, the City made top-level adjustments to capitalize the same invoices that were expensed during the year as both inventory and capital assets resulting in an audit entry recorded by the City to correct an overstatement of capital assets and an understatement of expenses of approximately \$950,000. Also, adjustments to inventory costs based on previously recorded invoices did not consider vendor discounts and freight and duties charges incurred to acquire certain items resulting in an audit entry recorded by the City to correct a net overstatement of inventory and an understatement of expenses of approximately \$385,000.

Cause: The City's power plant inventory is not tracked within the accounting system but is adjusted periodically based on calculations performed in an Excel spreadsheet. The City expenses capital purchases throughout the year but makes adjustments at year-end to set up capital assets to be maintained in the system and reduce expenses based on review of invoices recorded throughout the year. The processes to record inventory and capital assets from previously expensed items are performed by separate personnel which creates the risk of overstating assets and reducing expenses by more than actual invoice amounts.

Effect: Certain costs to acquire items could be excluded from inventory and adjustments to record items as expense or capital assets could be made prior to items being utilized in production and removed from inventory.

Recommendation: The City should consider accounting for its power plant inventory through its accounting system or implement additional reviews to ensure that all costs incurred to acquire items are included in inventory and items purchased are reflected only as inventory until the items are utilized in production.

Views of Responsive Officials of Auditee: Based upon Finding 2024-001, the City will transition the power plant inventory from a periodic system tracked outside its accounting system to a perpetual system tracked within its accounting system. The City will also review the inventory and capital asset processes and institute additional controls and training where needed.

CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024

Financial Statement Findings – Internal Control

Identifying number: 2024-001

Significant Deficiency

Finding: At year-end, the City made top-level adjustments to capitalize the same invoices that were expensed during the year as both inventory and capital assets resulting in an audit entry recorded by the City to correct an overstatement of capital assets and an understatement of expenses of approximately \$950,000. Also, adjustments to inventory costs based on previously recorded invoices did not consider vendor discounts and freight and duties charges incurred to acquire certain items resulting in an audit entry recorded by the City to correct a net overstatement of inventory and an understatement of expenses of approximately \$385,000.

Action taken or planned: Based upon Finding 2024-001, the City will transition the power plant inventory from a periodic system tracked outside its accounting system to a perpetual system tracked within its accounting system. The City will also review the inventory and capital asset processes and institute additional controls and training where needed.

Anticipated completion: June 30, 2025

Responsible parties: Christy Cluck and Jared Thulin