

AUDIT REPORT  
CITY OF LEHIGH, OKLAHOMA  
JUNE 30, 2020



KERSHAW CPA & ASSOCIATES, PC

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CITY OF LEHIGH, OKLAHOMA  
JUNE 30, 2020

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CITY OF LEHIGH, OKLAHOMA  
JUNE 30, 2020

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CITY OF LEHIGH, OKLAHOMA  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2020

BOARD OF TRUSTEES

<u>NAME</u>	<u>POSITION</u>
JERAD GEARHART	MAYOR
BECKY YARBROUGH	BOARD MEMBER
SALLY FINCH	BOARD MEMBER
LARRY HENSLEY	BOARD MEMBER
RACHEL NIX	BOARD MEMBER

CITY TREASURER

KAY YARBROUGH

WATER SUPERVISOR

ALFRED HORN JR.

Unaudited

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Lehigh, Oklahoma

### *Report on the Financial Statements*

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Lehigh, Oklahoma, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of

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accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

### *Basis for Qualified Opinion*

The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. The City has not maintained accurate capital asset records to support the historical cost of past capital asset purchases and the related depreciation. Documentation supporting historical cost and depreciation was not readily available for our review. The amount by which this departure would affect the assets, net position, and expenses of the Governmental & Business-Type Activities is not readily determinable.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lehigh, Oklahoma, as of June 30, 2020, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

### *Basis of Accounting*

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Supplementary and Other Information*

The introductory and supplementary sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the City. Such

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additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

## *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020, on our consideration of the City of Lehigh's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Lehigh's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering City of Lehigh's internal control over financial reporting and compliance.

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC  
Muskogee, Oklahoma

November 16, 2020

CITY OF LEHIGH, OKLAHOMA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2020 Total</u>
<b><u>ASSETS</u></b>			
<b><u>Current Assets:</u></b>			
Cash and cash equivalents	\$ 25,855	\$ 9,678	\$ 35,533
Investments	-	-	-
Total Current Assets	<u>25,855</u>	<u>9,678</u>	<u>35,533</u>
<b><u>Other Assets:</u></b>			
Cash and cash equivalents - Restricted	-	3,019	3,019
Total Other Assets	<u>-</u>	<u>3,019</u>	<u>3,019</u>
<b><u>Capital Assets:</u></b>			
Capital Assets, net of Accum. Depreciation	85,788	3,056,008	3,141,796
Total Capital Assets	<u>85,788</u>	<u>3,056,008</u>	<u>3,141,796</u>
<b>TOTAL ASSETS</b>	<u>111,643</u>	<u>3,068,705</u>	<u>3,180,348</u>
<b><u>LIABILITIES</u></b>			
<b><u>Current Liabilities:</u></b>			
Current Portion of Long-Term Debt	-	11,483	11,483
Total Current Liabilities	<u>-</u>	<u>11,483</u>	<u>11,483</u>
<b><u>Long-Term Liabilities:</u></b>			
Capital Lease Obligations	-	-	-
Revenue Bonds Payable	-	-	-
Notes Payable	-	583,714	583,714
Total Long-Term Liabilities	<u>-</u>	<u>583,714</u>	<u>583,714</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>595,197</u>	<u>595,197</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	85,788	2,460,811	2,558,082
Restricted for:			
Debt Service	-	2,439	2,439
Other Purposes	-	580	580
Unrestricted	25,855	9,678	35,533
<b>TOTAL NET POSITION</b>	<u>\$ 111,643</u>	<u>\$ 2,473,508</u>	<u>\$ 2,585,151</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements



CITY OF LEHIGH, OKLAHOMA  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General Government	\$ 27,872	\$ -	\$ -	\$ -	\$ (27,872)
Public Safety - Fire	6,898	-	4,642	-	(2,256)
Cemetery	4,880	-	-	-	(4,880)
Street & Alley	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>39,649</b>	<b>-</b>	<b>4,642</b>	<b>-</b>	<b>(35,007)</b>
<b>Business-type activities:</b>					
Water, Sewer & Sanitation	301,765	156,670	-	-	(145,095)
<b>Total Business-type Activities</b>	<b>301,765</b>	<b>156,670</b>	<b>-</b>	<b>-</b>	<b>(145,095)</b>
<b>Total</b>	<b>\$ 341,414</b>	<b>\$ 156,670</b>	<b>\$ 4,642</b>	<b>\$ -</b>	<b>\$ (180,102)</b>

## Changes in Net Position:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (35,007)	\$ (145,095)	\$ (180,102)
<b>General revenues:</b>			
<b>Taxes:</b>			
Sales Tax	11,989	-	11,989
Use Tax	1,552	-	1,552
Cigar Tax	119	-	119
Franchise Tax	4,767	-	4,767
<b>Intergovernmental:</b>			
Alcoholic Beverage Tax	11,672	-	11,672
Gasoline Excise Tax	590	-	590
Motor Vehicle Tax	-	-	-
Lease Income/Rent	-	-	-
Oil & Gas Lease Income	3,216	-	3,216
Licenses & Permits	1,300	-	1,300
Donations	-	-	-
Miscellaneous Income	-	-	-
Interest Income	15	6	20
Transfers - Internal Activity	5,948	(5,948)	-
<b>Total general revenues &amp; transfers</b>	<b>41,168</b>	<b>(5,943)</b>	<b>35,225</b>
Changes in net position	6,160	(151,038)	(144,877)
Net position - beginning	105,483	2,624,505	2,729,988
Net position - prior year adjustment	-	41	41
<b>Net position - ending</b>	<b>\$ 111,643</b>	<b>\$ 2,473,508</b>	<b>\$ 2,585,151</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**CITY OF LEHIGH, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,376	\$ 23,480	\$ 25,855
Investments	-	-	-
Accounts Receivable	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,376</b>	<b>\$ 23,480</b>	<b>\$ 25,855</b>
<b>LIABILITIES &amp; FUND EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>			
Nonspendable	-	-	-
Restricted	-	2,342	2,342
Committed	-	-	-
Assigned	-	21,138	21,138
Unassigned	2,376	-	2,376
<b>TOTAL FUND BALANCES</b>	<b>2,376</b>	<b>23,480</b>	<b>25,855</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,376</b>	<b>\$ 23,480</b>	

**Reconciliation to Statement of Net Position:**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities of \$261,168, net of accumulated depreciation of \$175,380, are not financial resources and, therefore, are not reported in the funds.	85,788
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	-
<b>Net Position of Governmental Activities</b>	<b>\$ 111,643</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF LEHIGH, OKLAHOMA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Sales Tax	\$ 11,989	\$ -	\$ 11,989
Use Tax	1,552	-	1,552
Cigar Tax	119	-	119
Franchise Tax	4,767	-	4,767
Intergovernmental:			
Alcoholic Beverage Tax	11,672	-	11,672
Gasoline Excise Tax	-	590	590
Motor Vehicle Tax	-	-	-
Grants	-	4,642	4,642
Lease Income/Rent	-	-	-
Oil & Gas Lease Income	3,216	-	3,216
Water Revenue	-	-	-
Licenses & Permits	-	1,300	1,300
Donations	-	-	-
Miscellaneous Income	-	-	-
Interest Income	-	15	15
<b>TOTAL REVENUES</b>	<b>33,314</b>	<b>6,546</b>	<b>39,861</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	23,137	-	23,137
Public Safety - Fire	-	6,898	6,898
Cemetery	-	4,880	4,880
Street & Alley	-	-	-
Debt Service	-	-	-
Capital Outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>23,137</b>	<b>11,777</b>	<b>34,914</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>10,178</b>	<b>(5,231)</b>	<b>4,947</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfers In	-	23,236	23,236
Operating Transfers Out	(12,646)	(4,642)	(17,288)
Capital Debt Proceeds	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(12,646)</b>	<b>18,595</b>	<b>5,948</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(2,468)</b>	<b>13,364</b>	<b>10,895</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>4,844</b>	<b>10,116</b>	<b>14,960</b>
<b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 2,376</b>	<b>\$ 23,480</b>	<b>25,855</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**CITY OF LEHIGH, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

## Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$	10,895
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## Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Capital debt obligation principal payments		-
Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Position:		
Capital Debt Proceeds		-
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		-
Depreciation expense		(4,735)
<b>Change in Net Position of Governmental Activities</b>	\$	<u><u>6,160</u></u>

**See Accountant's Audit Report & Notes Which Accompany These Financial Statements**

CITY OF LEHIGH, OKLAHOMA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
JUNE 30, 2020

	Lehigh Public Works Authority	Lehigh Industrial Development Authority	Total Enterprise Funds
<b><u>ASSETS</u></b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 9,677	\$ 1	\$ 9,678
Investments	-	-	-
<b>Total Current Assets</b>	<b>9,677</b>	<b>1</b>	<b>9,678</b>
<b>Noncurrent Assets:</b>			
Restricted cash, including time deposits	1,224	1,795	3,019
Capital assets, net of accumulated depreciation	214,963	2,841,045	3,056,008
<b>Total Noncurrent Assets</b>	<b>216,187</b>	<b>2,842,840</b>	<b>3,059,027</b>
<b>TOTAL ASSETS</b>	<b>225,864</b>	<b>2,842,841</b>	<b>3,068,705</b>
<b><u>LIABILITIES &amp; FUND EQUITY</u></b>			
<b>Current Liabilities:</b>			
Current Portion of Long-Term Debt	-	11,483	11,483
<b>Total Current Liabilities</b>	<b>-</b>	<b>11,483</b>	<b>11,483</b>
<b>Noncurrent Liabilities:</b>			
Notes Payable	-	583,714	583,714
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>583,714</b>	<b>583,714</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>595,197</b>	<b>595,197</b>
<b>NET POSITION:</b>			
Net Investment in capital assets	214,963	2,245,848	2,460,811
Restricted for debt service	1,224	1,215	2,439
Restricted for other purposes	-	580	580
Unrestricted	9,677	1	9,678
<b>TOTAL NET POSITION</b>	<b>\$ 225,864</b>	<b>\$ 2,247,644</b>	<b>\$ 2,473,508</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF LEHIGH, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
- MODIFIED CASH BASIS -  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Lehigh Public Works Authority	Lehigh Industrial Development Authority	Total Enterprise Funds
<b><u>OPERATING REVENUES:</u></b>			
Water, Sewer and Sanitation Charges	\$ 113,636	\$ 36,822	\$ 150,458
Grant Income	-	-	-
Grant Income - CDBG	-	-	-
Oil & Gas Lease Income	-	-	-
Miscellaneous	6,213	-	6,213
<b>TOTAL OPERATING REVENUES</b>	<b>119,848</b>	<b>36,822</b>	<b>156,670</b>
<b><u>OPERATING EXPENSES:</u></b>			
Current:			
Personal Services	35,344	-	35,344
Trash Service Expense	26,832	-	26,832
Electricity	13,033	-	13,033
Maintenance & Operations	47,931	71	48,002
Depreciation	20,150	132,646	152,796
<b>TOTAL OPERATING EXPENSES</b>	<b>143,290</b>	<b>132,716</b>	<b>276,006</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>(23,441)</b>	<b>(95,894)</b>	<b>(119,336)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Income	6	-	6
Interest Expense	(20)	(25,740)	(25,759)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(14)</b>	<b>(25,740)</b>	<b>(25,753)</b>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<b>(23,455)</b>	<b>(121,634)</b>	<b>(145,089)</b>
Capital Contributions	-	-	-
Transfers in	-	4,642	4,642
Transfers out	-	(10,590)	(10,590)
<b>CHANGE IN NET POSITION</b>	<b>(23,455)</b>	<b>(127,582)</b>	<b>(151,038)</b>
<b>TOTAL NET POSITION - BEGINNING</b>	<b>249,279</b>	<b>2,375,226</b>	<b>2,624,505</b>
<b>TOTAL NET POSITION - ADJUSTMENTS</b>	<b>41</b>	<b>-</b>	<b>41</b>
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ 225,864</b>	<b>\$ 2,247,644</b>	<b>\$ 2,473,508</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF LEHIGH, OKLAHOMA  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Lehigh Public Works Authority	Lehigh Industrial Development Authority	Total Enterprise Funds
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Receipts from Customers	\$ 119,848	\$ 36,822	\$ 156,670
Cash Receipts from Granting Agencies/Other	-	-	-
Payments to Suppliers, Employees & Laborers	(123,140)	(71)	(123,210)
Net Cash Provided (Used) by Operating Activities	(3,292)	36,752	33,460
<b><u>Cash Flows from Non-Capital Financing Activities:</u></b>			
Operating Transfers in	-	4,642	4,642
Operating Transfers Out	-	(10,590)	(10,590)
Net Cash Provided (Used) by Non-Capital Financing Activities	-	(5,948)	(5,948)
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>			
Additions to Capital Assets	-	-	-
Decrease (Increase) in Restricted Cash	(625)	4	(620)
Grant Income	-	-	-
Principal paid	(1,572)	(11,016)	(12,589)
Interest paid	(20)	(25,740)	(25,759)
Net Cash Provided (Used) by Capital & Related Financing Activities	(2,216)	(36,752)	(38,968)
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest Earned	6	-	6
Net Cash Provided (Used) by Investing Activities	6	-	6
Net Increase (Decrease) in Cash and Cash Equivalents	(5,502)	(5,948)	(11,451)
Cash & Cash Equivalents, Beginning of Year	15,139	5,949	21,088
Cash & Cash Equivalents, Adjustments	41	-	41
Cash & Cash Equivalents, End of Year	\$ 9,677	\$ 1	\$ 9,678
<b><u>Reconciliation of operating income (loss) to net cash provided</u></b>			
<b><u>operating activities:</u></b>			
Net Operating Income (Loss)	\$ (23,441)	\$ (95,894)	\$ (119,336)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation Expense	20,150	132,646	152,796
Increase(Decrease) in Payroll Taxes Payable	-	-	-
Net Cash Provided (Used) by Operating Activities	\$ (3,292)	\$ 36,752	\$ 33,460

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF LEHIGH, OKLAHOMA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
FIDUCIARY FUND TYPES  
JUNE 30, 2020

	<u>Meter Fund</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 3,149
Investments	-
	<hr/>
<b>TOTAL ASSETS</b>	<b>3,149</b>
	<hr/>
<b><u>LIABILITIES &amp; FUND EQUITY</u></b>	
Meter Deposit Payable	15,222
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>15,222</b>
	<hr/>
<b>NET POSITION:</b>	
Net investment in capital assets	-
Restricted for debt service	-
Unrestricted	(12,072)
<b>TOTAL NET POSITION</b>	<b><u>\$ (12,072)</u></b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements



CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the following:

Primary Government:	City of Lehigh
Blended Component Units:	Lehigh Public Works Authority (LPWA) Lehigh Industrial Development Authority (LIDA)

PRIMARY GOVERNMENT

The City of Lehigh, Oklahoma operates under City Board of Trustees form of government under Title 11 of the Oklahoma Statutes. The City provides the following services: public safety, streets and highways, sanitation, public improvements, and general administrative services.

BLENDED COMPONENT UNITS

A blended component unit is a separate legal entity for which the elected officials of the primary government are financially accountable and that meets the blended component unit criteria. A blended component unit meets at least one of the following criteria: (a) the blended component unit's governing body is the same or substantially the same as the City Council, and there is a financial benefit or burden relationship with the City, or City management has operational responsibility for the component unit; (b) the component unit provides services entirely or almost entirely to the City; or (c) the component unit's debt is expected to be repaid entirely or almost entirely with resources of the City. The blended component unit's funds are blended into those of the City by appropriate fund type to constitute the

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

primary government presentation. Based on the foregoing criteria, the financial statements of the following component units are blended into the accompanying financial statements: Lehigh Public Works Authority and Lehigh Industrial Development Authority. The City board of trustees, PWA and IDA board of directors are the same.

In August, 2001, the City of Lehigh established and created a Trust entitled "Lehigh Development Authority: for the use and benefit of the Beneficiary for the public purposes set forth under the provisions of Title 60, Oklahoma Statutes 1991, Sections 176 to 180.4, inclusive, as amended and supplemented, the Oklahoma Trust act and other applicable statutes and laws of the State of Oklahoma. The Trust is to have and hold such property and the proceeds, rents, profits, and increases unto said Trustees and said Trustees' successors and assigns, but nevertheless in trust, for the use and benefit of the City of Lehigh, State of Oklahoma, such City being designated as "Beneficiary."

The purpose of this Trust are to assist the Beneficiary, the State of Oklahoma, Governmental Agencies, municipalities and private entities, agencies and citizens in making the most efficient use of all of their economic resources and powers in accord with the needs and benefit of the State of Oklahoma and the Beneficiary in order to lessen the burdens of government and to stimulate economic growth and development.

**B. BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services.

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows, liabilities, deferred inflows, net position or fund balance, revenues, and expenditures or expenses. The city's funds are organized into two major categories: governmental and proprietary. The City presently has one fiduciary fund. 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 City or meets the following criteria:

- a. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or 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.
- b. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or 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 financial reporting entity are described subsequently:

Governmental Funds

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Street and Alley, Volunteer Fire, and Cemetery

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable rust or major capital projects) that are legally restricted to expenditures for specified purposes.

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

Proprietary Funds

Enterprise Funds - Lehigh Public Works Authority and Lehigh Industrial Development Authority

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheets.

Fiduciary Funds

Trust and Agency Funds - Meter Deposit Fund

Trust and Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments and/or other funds. These include meter deposit funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

In the government-wide State of Net Position and Statement of Activities, both governmental and business-like activities are presented used the economic resources measurement focus, within the limitations of the modified cash basis of accounting, subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets.

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determinations of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the City utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting.

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

All government-wide financial statements would be presented on the accrual basis of accounting.

D. FINANCIAL POSITION

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

CAPITAL ASSETS

The City does not maintain adequate records for capital assets of the governmental and proprietary funds types; therefore Capital Assets are not reported. The City has capitalized some but not all of its capital assets. The capitalization threshold utilized has been \$400.00.

BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Budgetary Comparison Schedule presents comparisons of the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles.

SALES TAX COLLECTIONS

The City of Lehigh has a two cent sales tax. One cent sales tax is earmarked for cemetery maintenance and one cent sales tax is earmarked for the Volunteer Fire Department. Sales tax is deposited to the General Fund, and then transferred to the Cemetery and Volunteer Fire checking accounts. Purchase orders are prepared and approved by the City Council for expenditures from both accounts.

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NET POSITION/FUND BALANCE CLASSIFICATIONS

Government-Wide Statements

Net Position is classified and displayed in three components:

1. 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 and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Fund Financial Statements

Governmental Funds

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purpose of each major special fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
No Major Funds in Current Year	N/A

Estimates

The preparation of financial statements in conformity with the modified cash basis used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determination of depreciation expense); accordingly, actual results could differ from those estimates.

Memorandum Only

The “Memorandum Only” captions above the total columns mean that totals are presented for overview information purposes only.



CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations.

Finance-related Legal & Contractual Provisions

As described in Note 4, the Authority was not in compliance with the reserve requirement of the USDA loan agreement.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the City for this fiscal year.

Excess of Expenditures Over Appropriations

As indicated in Note 1, the Authority prepares an Estimate of Needs budget. The expenditures for the year did not exceed appropriations by more than the revenues exceeded budgeted revenues.

NOTE 3 - DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

Custodial Credit Risk

At June 30, 2020, the City held deposits of approximately \$41,701 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit should be covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

Investment Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The City has no policy that limits its investment choices other than the limitation of state law as follows:

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

Investments of the City are limited by O.S., Title 62, Section 348.1 to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. Negotiable certificates of deposits, prime bankers acceptance prime commercial paper and repurchase agreements with certain limitations. Any investments mentioned in the previous paragraphs a. and b., where the collateral has been deposited with a trustee in an irrevocable trust or escrow account.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trust whose beneficiary is a county, municipality or school district.

For the year ended June 30, 2020 the City complies with the above noted investment restrictions.

NOTE 4 - RESTRICTED ASSETS

The loan agreements with the United States Department of Agriculture Rural Development (USDA) require the District to set aside into a Reserve Account the sum 10% of the monthly installments or \$306.30 each month until there is accumulated in that account the sum of the annual installment for each loan (\$27,492 for 92-01 and \$9,264 for 92-04, total of \$36,756), after which deposits may be suspended, except to replace withdrawals. The District cannot withdraw funds from the reserve account without USDA approval. As of June 30, 2020, the account balance for the reserve account was \$1,215, which does not meet the required balance of \$29,404.80.

NOTE 5 - CAPITAL ASSETS

Capital asset activity, resulting from the modified cash basis transactions, for the fiscal year ended June 30, 2020, was as follows:

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

City of Lehigh:

	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020
<b>PRIMARY GOVERNMENT:</b>				
<i>Governmental Activities:</i>				
Capital Assets not being Depreciated:				
Land and Construction in Progress	\$ 82,500	\$ -	\$ -	\$ 82,500
Total Capital Assets not being Depreciated	82,500	-	-	82,500
Other capital assets:				
Other Capital Assets	178,668	-	-	178,668
Total Other Capital Assets at Historical Cost	178,668	-	-	178,668
Less: Accum. Depreciation for:				
Other Capital Assets	170,645	4,735	-	175,380
Total Accumulated Depreciation	170,645	4,735	-	175,380
Other Capital Assets, Net	8,023	(4,735)	-	3,288
Governmental Activities Capital Assets, net	\$ 90,523	\$ (4,735)	\$ -	\$ 85,788

Lehigh Public Works Authority:

	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020
<i>Business-Type Activities:</i>				
Capital Assets not being Depreciated:				
Land and Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total Capital Assets not being Depreciated	-	-	-	-
Other capital assets:				
Water & Sewer Improvements	366,573	-	-	366,573
Machinery & Equipment	653	-	-	653
Total Other Capital Assets at Historical Cost	367,226	-	-	367,226
Less: Accum. Depreciation for:				
Water & Sewer Improvements	131,460	20,150	-	151,610
Machinery & Equipment	653	-	-	653
Total Accumulated Depreciation	132,113	20,150	-	152,263
Other Capital Assets, Net	235,113	(20,150)	-	214,963
Business-Type Activities Capital Assets, net	\$ 235,113	\$ (20,150)	\$ -	\$ 214,963

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

Lehigh Industrial Development Authority:

	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020
<i>Business-Type Activities:</i>				
Capital Assets not being Depreciated:				
Land and Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total Capital Assets not being Depreciated	-	-	-	-
Other capital assets:				
Industrial Building	460,020	-	-	460,020
Sewer Improvements	3,519,359	-	-	3,519,359
Total Other Capital Assets at Historical Cost	3,979,379	-	-	3,979,379
Less: Accum. Depreciation for:				
Industrial Building	30,668	15,334	-	46,002
Sewer Improvements	975,020	117,312	-	1,092,332
Total Accumulated Depreciation	1,005,688	132,646	-	1,138,334
Other Capital Assets, Net	2,973,691	(132,646)	-	2,841,045
Business-Type Activities Capital Assets, net	\$ 2,973,691	\$ (132,646)	\$ -	\$ 2,841,045

Depreciation expense was charges to functions as follows in the Statement of Activities:

PRIMARY GOVERNMENT:

*Governmental Activities:*

*General Government*

	\$ 4,735
Total depreciation expense for governmental activities	\$ 4,735

*Business-Type Activities:*

Water, Sewer & Sanitation

Industrial Development

	\$ 20,150
	\$ 132,646
Total depreciation expense for business-type activities	\$ 152,796

NOTE 6 - LONG-TERM DEBT

ENTERPRISE FUND DEBT

NOTE PAYABLE:

	Outstanding Debt
<u>Terms and Collateral</u>	June 30, 2020

Promissory Note to USDA Rural Development (#01) in the amount of \$517,000.00 with an interest rate of 4.25%, monthly payments of \$2,291 and maturing in 2048. The note was used to finance a sewer project. \$446,969.56

Promissory Note to USDA Rural Development (#04) in the amount of \$171,000.00 with an interest rate of 4.375%, monthly payments of \$772 and maturing in 2048. The note was used to finance a sewer project. \$148,227.75

Note Payable to FirstBank in the amount of \$7,286.23 with and interest rate of 5.00%, monthly payments of

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

\$319.09 and maturing November 11, 2019. The note was used to refinance the existing FirstBank loan and to purchase pumps. This note was paid off during the current year.

\$ -0-

Total Notes Payable Outstanding \$595,197.31

The following is a summary of long-term debt additions and deductions for the year ended June 30, 2020:

	Balance 7/1/2019	Additions	Deductions	Balance 6/30/2020
N/P - RD #1	\$ 455,272	\$ -	\$ (8,302)	\$ 446,970
N/P - RD #4	150,942	-	(2,714)	148,228
N/P - FirstBank	1,572	-	(1,572)	-
	\$ 607,786	\$ -	\$ (12,589)	\$ 595,197

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2020, are as follows:

RD #92-01

Year Ended June 30,	Principal	Interest	Annual Payment
2021	\$ 8,652	\$ 18,840	\$ 27,492
2022	9,027	18,465	27,492
2023	9,418	18,074	27,492
2024	9,826	17,666	27,492
2025	10,252	17,240	27,492
2026-2030	58,322	79,138	137,460
2031-2035	72,104	65,356	137,460
2036-2040	89,142	48,318	137,460
2041-2045	110,207	27,253	137,460
2046-2048	70,020	4,515	74,535
Total	\$ 446,970	\$ 314,865	\$ 761,835

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

RD #92-04

Year Ended June 30,	Principal	Interest	Annual Payment
2021	\$ 2,831	\$ 6,433	\$ 9,264
2022	2,958	6,306	9,264
2023	3,090	6,174	9,264
2024	3,228	6,036	9,264
2025	3,372	5,892	9,264
2026-2030	19,256	27,064	46,320
2031-2035	23,955	22,365	46,320
2036-2040	29,800	16,520	46,320
2041-2045	37,072	9,248	46,320
2046-2048	22,667	1,453	24,120
Total	<u>\$ 148,228</u>	<u>\$ 107,492</u>	<u>\$ 255,720</u>

NOTE 7 - FUND EQUITY

As described in Note 1 above, equity is classified as net position and displayed in three components:

1. Net investment in capital assets
2. Restricted
3. Unrestricted

The City's restricted amounts are described in Note 4 above.

Governmental Fund Balances

City of Lehigh, Oklahoma  
Disclosure of Fund Balances Reported on Balance Sheet  
For Fiscal Year Ending June 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES:			
Restricted for:			
Road Maintenance	\$ -	\$ 2,342	\$ 2,342
Assigned to:			
Fire Department	-	16,063	16,063
Cemetery Fund	-	5,074	5,074
Unassigned	2,376	-	2,376
Total	<u>\$ 2,376</u>	<u>\$ 23,480</u>	<u>\$ 25,855</u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

GRANT PROGRAMS

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

The City participates in certain federal and state grant programs as available, currently the City is not participating in any ongoing programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. The amount of expenditures that may be disallowed by the granting agency cannot be determined at this time, although it is believed by the City that the amount, if any, would not be significant.

LITIGATION

The financial statements do not include accrual or provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, such judgments may become liabilities only of the Debt Service Fund and only in the year in which tax revenue is specifically assessed for payment of the claim, and only to the extent of the taxes so specifically assessed in that year. Such claims are generally paid through special tax assessments over a three-year period.

NOTE 9 - ENTERPRISE FUNDS

During the fiscal year ending June 30, 2007, the Lehigh Industrial Development Authority and the Lehigh Public Works Authority opened bank accounts separate from the City's General Fund. Until 2007, all PWA financial activity was accounted for in the general fund and the IDA did not have any activity. Since all activity was previously commingled in the General Fund, prior year adjustments to Net Position were required to show the Capital Assets and Debt that actually belonged to the Enterprise Funds.

NOTE 10 - LEASE INCOME

Oil & Gas Lease

The City entered into an Oil and Gas Lease dated December 7, 2006 through Lowry Land Co., Inc. The lease is for Sec. 16-1S-10E which is 40 acres in Coal County, Oklahoma. The lease calls for \$2,200 per acre for a term of 2 years, with a royalty of 3/16.

The City entered into a second Oil and Gas Lease dated December 7, 2006 through Lowry Land Co., Inc. The lease is for Sec. 21-1S-10E which is 160 acres in Coal County, Oklahoma. The lease calls for \$2,200 per acre for a term of 2 years, with a royalty of 3/16.

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

The City entered into an Oil and Gas Lease dated April 26, 2007 through Texhoma Land Consultants, Inc. with Antero Resources. The lease is for Sec. 11-1S-10E which is 21.2 acres in Coal County, Oklahoma. The lease calls for \$2,268 per acre.

Grass Lease

The City accepted the following grass leases:

Keith Horn \$805.00 on the 80 acres  
Danny West \$759.00 on the 40 acres  
Bob Thomas \$1,665.00 on the 160 acres

NOTE 11 - ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Accumulated unpaid vacation and sick leave benefits have not been shown as a liability in the financial statements. The City's position is that any accrued benefits are not significant and would not materially affect the financial statements.

NOTE 12 - PENSION PLAN

The City does not maintain or contribute to any type of pension plan.

NOTE 13 - RISK MANAGEMENT

The City's risk management of loss consists of commercial insurance for property and liability losses, an employee's bond for employee dishonesty, and worker's compensation through the State Insurance Fund. There have been no significant reductions in insurance coverage during the year ended June 30, 2020.

PARTICIPATION IN PUBLIC ENTITY RISK POOL

The City of Lehigh participated in the Oklahoma Municipal Assurance Group (OMAG) for insurance purposes. The Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan) became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01 a.m. July 1, in any year and ends at Midnight June 30, of the following calendar year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the



CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

monies owed for benefits provided to the municipality or its employees.

A municipality may apply and enter into agreement with the Plan to participate in the coverage's and services that the Plan offers as outlined above. Upon acceptance into the Plan, a participant has the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, a participant in the Plan is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have a right to the return of any Loss Funds set aside for claims which have not been paid out as benefits.

These funds represent both current and past plan year participation with the Loss Fund balances in respect to worker's compensation retention. The State Insurance Fund provides coverage in excess of these respective retention levels so each participant's liability for claim losses is limited to these retention levels. Failure of the State Insurance Fund to honor its obligation could result in losses to the Plan. However, OMAG's evaluation of the financial condition of the State Insurance Fund indicates that the State Insurance Fund is presently financially sound and will be able to meet its contractual obligations.

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 14 - INTERFUND TRANSACTIONS

Interfund operating transfers for the year ended June 30, 2020, were as follows:

OPERATING TRANSFERS:	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Fire Department Fund	\$ -	\$ 6,323.09
Street & Alley Fund	-	-
Cemetery Fund	-	6,323.09
Meter Fund	-	-
Lehigh Industrial Development Authority	-	-
Lehigh Public Works Authority	-	-
Total General Fund	<u>\$ -</u>	<u>\$ 12,646.18</u>
SPECIAL REVENUE FUNDS:		
Fire Department Fund:		
General Fund	\$ 6,323.09	\$ -
Lehigh Industrial Development Authority	10,590.00	4,641.52
Street & Alley Fund:		
General Fund	-	-
Cemetery Fund:		
General Fund	6,323.09	-
Total Special Revenue Funds	<u>\$ 23,236.18</u>	<u>\$ 4,641.52</u>
FIDUCIARY FUNDS:		
Meter Fund:		
General Fund	\$ -	\$ -
Lehigh Public Works Authority	-	-
Lehigh Industrial Development Authority	-	-
Total Fiduciary Funds	<u>\$ -</u>	<u>\$ -</u>
ENTERPRISE FUNDS		
Lehigh Public Works Authority:		
General Fund	\$ -	\$ -
Meter Fund	-	-
Lehigh Industrial Development Auth.	-	-
Lehigh Industrial Development Authority:		
Fire Department Fund	4,641.52	10,590.00
Street & Alley Fund	-	-
Meter Fund	-	-
Lehigh Public Works Authority	-	-
Total Enterprise Funds	<u>\$ 4,641.52</u>	<u>\$ 10,590.00</u>
	<u>\$ 27,877.70</u>	<u>\$ 27,877.70</u>

CITY OF LEHIGH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 15 - SUBSEQUENT EVENTS

The City did not have any subsequent events through November 16, 2020, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2020.

CITY OF LEHIGH, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 4,844	\$ 4,844	\$ 4,844	\$ -
<b><u>Resources (Inflows):</u></b>				
Taxes:				
Sales Tax	12,920	12,920	11,989	(931)
Use Tax	1,393	1,393	1,552	159
Cigar Tax	113	113	119	6
Franchise Tax	4,717	4,717	4,767	50
Intergovernmental:				
Alcoholic Beverage Tax	8,648	8,648	11,672	3,025
Grant Income	-	-	-	-
Lease Income/Rent	-	-	-	-
Oil & Gas Lease Income	5,423	5,423	3,216	(2,207)
Water Revenue	-	-	-	-
Licenses & Permits	-	-	-	-
Miscellaneous Income	37	37	-	(37)
Interest Income	-	-	-	-
Other Financing Sources:				
Operating Transfers In	-	-	-	-
Amounts available for appropriation	38,095	38,095	38,158	64
<b><u>Charges to Appropriations (Outflows):</u></b>				
Personal Services	20,000	20,000	20,849	(849)
Maintenance & Operations	3,800	3,800	2,287	1,513
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Transfers	14,295	14,295	12,646	1,648
Total Charges to Appropriations	38,095	38,095	35,783	2,312
Adjustments to Fund Balance	-	-	-	-
Ending Budgetary Fund Balance	-	-	2,376	2,376

Unaudited

CITY OF LEHIGH, OKLAHOMA  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2020

The City's annual operating budget represents appropriations as authorized by the Board of Trustees and County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The City's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board of Trustees and County Excise Board. The legal level of control of the budget is the expenditures category within a department. The expenditure categories required by the applicable State Statutes are:

1. Personal Services;
2. Maintenance and Operations; and
3. Capital Outlay

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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 City Council  
City of Lehigh, 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, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lehigh, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the City of Lehigh, Oklahoma's basic financial statements, and have issued our report thereon dated November 16, 2020, which was qualified for the improper capital asset recordkeeping.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lehigh's internal control over financial reporting (internal control) to determine the 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 of Lehigh's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lehigh'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 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

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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 did identify certain deficiencies in internal control described in the accompanying Schedule of Findings as Item 20-01 and 20-02 that we consider to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lehigh's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 instances of noncompliance that are required to be reported under Government Auditing Standards, which are included in the Schedule of Findings as Items 20-03 and 20-04. The results of our tests disclosed no instances of other matters that are required to be reported under Government Auditing Standards.

## City of Lehigh's Response to Findings

City of Lehigh's response to the findings identified in our audit is described in the accompanying Schedule of Findings. City of Lehigh's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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.

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC  
Muskogee, Oklahoma

November 16, 2020

CITY OF LEHIGH, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2020

INTERNAL CONTROL FINDINGS:

Item 20-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the City's major areas of internal control, that would be prevalent in a larger City, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the City.

Item 20-02: Meter Deposits

Criteria: It is the responsibility of the City to properly report and account for the financial information.

Condition: The Meter Deposit Control Account has not been accurately posted with all transactions during past years.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's balance sheet could be incorrect with respect to the deposit account.

Recommendation: All deposit refunds and final bills should be accurately posted to reconcile the account at yearend. A Meter Deposit Ledger should be maintained so that an accurate liability amount can be reported.

Response: The City has developed a meter deposit ledger in its WaterWorks program and also keeps a handwritten ledger of current year activity. However, the balance in the program does not reconcile to the balance in the financial statements and the handwritten ledger only includes current year activity.



CITY OF LEHIGH, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2020

COMPLIANCE FINDINGS:

Item 20-03: Water and Sewer Recordkeeping

Criteria: The loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the Authority to maintain income and expense records for water and sewer systems separately.

Condition: The Authority maintains separate billing records for water and sewer income. However, the Authority does not maintain separate income and expense accounts for the water and sewer systems.

Cause/Effect: This leaves the Authority out of compliance with the Rural Development loan agreement as the USDA will no longer be accepting audits that do not have Water and/or Sewer Records broken out separately.

Response: The Authority is aware of the problem.

Item 20-04: Reserve Requirement

Criteria: The loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the Authority to set aside into a Reserve Account the sum of 10% of the monthly installments or \$306.30 each month until there is accumulated in that account the sum of the annual installment for each loan (\$27,492 and \$9,264 for a total of \$36,756), after which deposits may be suspended, except to replace withdrawals.

Condition: The Authority is using the Rural Development Reserve Account as a Debt Service Account and the monthly deposits for the reserve account are not being made.

Cause/Effect: This leaves the Authority out of compliance with the Rural Development loan agreement.

Response: The Authority is aware of the problem.

CITY OF LEHIGH, OKLAHOMA  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2020

	SPECIAL REVENUE FUNDS			Total Nonmajor Governmental Funds
	Street & Alley Fund	Volunteer Fire Fund	Cemetery Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,342	\$ 16,063	\$ 5,074	\$ 23,480
Due from Other Funds	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,342</b>	<b>\$ 16,063</b>	<b>\$ 5,074</b>	<b>\$ 23,480</b>
<b>LIABILITIES &amp; FUND EQUITY</b>				
<b>LIABILITIES:</b>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>				
Nonspendable	-	-	-	-
Restricted	2,342	-	-	2,342
Committed	-	-	-	-
Assigned	-	16,063	5,074	21,138
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>2,342</b>	<b>16,063</b>	<b>5,074</b>	<b>23,480</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,342</b>	<b>\$ 16,063</b>	<b>\$ 5,074</b>	<b>\$ 23,480</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**CITY OF LEHIGH, OKLAHOMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<b>SPECIAL REVENUE FUNDS</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Street &amp; Alley Fund</b>	<b>Volunteer Fire Fund</b>	<b>Cemetery Fund</b>	
<b>REVENUES:</b>				
<b>Taxes:</b>				
Sales Tax	\$ -	\$ -	\$ -	\$ -
Franchise Tax	-	-	-	-
<b>Intergovernmental:</b>				
Alcoholic Beverage Tax	-	-	-	-
Gasoline Excise Tax	590	-	-	590
Motor Vehicle Tax	-	-	-	-
Grants	-	4,642	-	4,642
Donations	-	-	-	-
Fund Raisers	-	-	-	-
Reimbursements	-	-	-	-
Miscellaneous	-	1,300	-	1,300
Interest Income	-	9	5	15
<b>TOTAL REVENUES</b>	<b>590</b>	<b>5,951</b>	<b>5</b>	<b>6,546</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Cemetery	-	-	4,880	4,880
Public Safety - Fire	-	6,898	-	6,898
Street & Alley	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>6,898</b>	<b>4,880</b>	<b>11,777</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>590</b>	<b>(947)</b>	<b>(4,874)</b>	<b>(5,231)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	-	16,913	6,323	23,236
Operating Transfers Out	-	(4,642)	-	(4,642)
Capital Debt Proceeds	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>12,272</b>	<b>6,323</b>	<b>18,595</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>590</b>	<b>11,325</b>	<b>1,449</b>	<b>13,364</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>1,752</b>	<b>4,738</b>	<b>3,626</b>	<b>10,116</b>
<b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 2,342</b>	<b>\$ 16,063</b>	<b>\$ 5,074</b>	<b>\$ 23,480</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements