

**CITY OF HEAVENER, OKLAHOMA**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

# CITY OF HEAVENER, OKLAHOMA

JUNE 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Heavener, Oklahoma

### *Report on the Financial Statements*

I 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 Heavener, Oklahoma, as of and for the fiscal year ended June 30, 2021, 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*

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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

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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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## *Opinions*

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective 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 Heavener, Oklahoma, as of June 30, 2021, 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.

## *Emphasis of Matter - Basis of Accounting*

I 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. My opinion is not modified with respect to this matter.

## *Other Matters*

### *Supplementary and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The management's discussion and analysis, budgetary comparison schedules, introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Heavener, Oklahoma.

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

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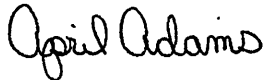
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the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 22, 2023, on my consideration of the City of Heavener's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Heavener'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 Heavener's internal control over financial reporting and compliance.



April Adams CPA PLLC  
Ponca City, Oklahoma

December 22, 2023

# CITY OF HEAVENER, OKLAHOMA

## STATEMENT OF NET POSITION - MODIFIED CASH BASIS

AS OF JUNE 30, 2021

|  | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|--|----------------------------|-----------------------------|---------------------|
| <b>Assets</b>  |                            |                             |                     |
| <b>Current Assets</b>                                |                            |                             |                     |
| Cash and cash equivalents                            | \$ 1,122,596               | \$ 399,734                  | \$ 1,522,330        |
| Certificates of deposit                              | 74,590                     | -                           | 74,590              |
| Due from other funds                                 | 131,230                    | -                           | 131,230             |
| Restricted assets - cash and certificates of deposit | 345,662                    | 849,837                     | 1,195,499           |
| <b>Total Current Assets</b>                          | <b>1,674,078</b>           | <b>1,249,571</b>            | <b>2,923,649</b>    |
| <b>Non-current Assets</b>                            |                            |                             |                     |
| <b>Capital assets</b>                                |                            |                             |                     |
| Land   | 353,567                    | 229,568                     | 583,135             |
| Building and improvements                            | 2,875,345                  | 5,076,961                   | 7,952,306           |
| Sewer system and improvements                        | -                          | 7,237,909                   | 7,237,909           |
| Water system and improvements                        | -                          | 1,494,397                   | 1,494,397           |
| Street and street improvements                       | 1,530,585                  | -                           | 1,530,585           |
| Furniture and fixtures                               | 94,405                     | 2,864                       | 97,269              |
| Machinery and equipment                              | 678,522                    | 1,231,939                   | 1,910,461           |
| Vehicles   | 1,013,098                  | 134,118                     | 1,147,216           |
| Construction in process                              | -                          | -                           | -                   |
| Accumulated depreciation                             | (3,215,176)                | (9,389,574)                 | (12,604,750)        |
| <b>Capital Assets-Net</b>                            | <b>3,330,346</b>           | <b>6,018,182</b>            | <b>9,348,528</b>    |
| <b>Total Assets</b>                                  | <b>5,004,424</b>           | <b>7,267,753</b>            | <b>12,272,177</b>   |
| <b>Liabilities</b>                                   |                            |                             |                     |
| <b>Current Liabilities</b>                           |                            |                             |                     |
| Payroll and payroll withholdings                     | 32,009                     | 1,409                       | 33,418              |
| Due to other funds                                   | 56,503                     | 74,727                      | 131,230             |
| Current maturity of long-term debt                   | 8,192                      | 200,000                     | 208,192             |
| Current portion of capital lease obligations         | 60,150                     | 3,756                       | 63,906              |
| Payable from restricted assets                       | -                          | -                           | -                   |
| Customer meter deposits                              | -                          | 89,245                      | 89,245              |
| <b>Total Current Liabilities</b>                     | <b>156,854</b>             | <b>369,137</b>              | <b>525,991</b>      |
| <b>Non-current liabilities</b>                       |                            |                             |                     |
| Long-term debt                                       | 116,911                    | 7,170,000                   | 7,286,911           |
| Capital lease obligations                            | 49,053                     | 11,966                      | 61,019              |
| <b>Total Non-current Liabilities</b>                 | <b>165,964</b>             | <b>7,181,966</b>            | <b>7,347,930</b>    |
| <b>Total Liabilities</b>                             | <b>322,818</b>             | <b>7,551,103</b>            | <b>7,873,921</b>    |
| <b>Net Position</b>                                  |                            |                             |                     |
| Net investment in capital assets                     | 3,096,040                  | (1,351,818)                 | 1,744,222           |
| <b>Restricted:</b>                                   |                            |                             |                     |
| Debt Service   | -                          | -                           | -                   |
| Grants   | 217,397                    | -                           | 217,397             |
| Other  | 128,265                    | -                           | 128,265             |
| Unrestricted   | 1,239,904                  | 1,068,468                   | 2,308,372           |
| <b>Total Net Position</b>                            | <b>\$ 4,681,606</b>        | <b>\$ (283,350)</b>         | <b>\$ 4,398,256</b> |

See accompanying notes and independent auditor's report.

# CITY OF HEAVENER, OKLAHOMA

## STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2021

| Functions/Programs                                    | Program Revenues    |                         |                           | Net (Expense) Revenue<br>And Change In Net Position |                                 | Total               |
|---|---------------------|-------------------------|---------------------------|---|---------------------------------|---------------------|
|   | Expenses            | Charges for<br>Services | Grants &<br>Contributions | Governmental<br>Activities                          | Business-<br>Type<br>Activities |                     |
| <b>Governmental Activities</b>                        |                     |                         |                           |   |                                 |                     |
| General government                                    | \$ 258,593          | \$ -                    | \$ -                      | \$ (258,593)  | \$ -                            | \$ (258,593)        |
| Police department                                     | 874,524             | 547,601                 | 278,588                   | (48,335)  | -                               | (48,335)            |
| Fire department                                       | 134,386             | -                       | 4,826                     | (129,560)   | -                               | (129,560)           |
| Public works  | 357,027             | -                       | -                         | (357,027)   | -                               | (357,027)           |
| Culture and recreation                                | 149,862             | -                       | -                         | (149,862)   | -                               | (149,862)           |
| Interest on long-term debt                            | 11,427              | -                       | -                         | (11,427)  | -                               | (11,427)            |
| <b>Total Governmental Activities</b>                  | <b>1,785,819</b>    | <b>547,601</b>          | <b>283,414</b>            | <b>(954,804)</b>                                    | <b>-</b>                        | <b>(954,804)</b>    |
| <b>Business-Type Activities</b>                       |                     |                         |                           |   |                                 |                     |
| Charges for Services                                  | 5,344,621           | 4,785,663               | -                         | -   | (558,958)                       | (558,958)           |
| <b>Total Business-Type Activities</b>                 | <b>5,344,621</b>    | <b>4,785,663</b>        | <b>-</b>                  | <b>-</b>  | <b>(558,958)</b>                | <b>(558,958)</b>    |
| <b>Total</b>  | <b>\$ 7,130,440</b> | <b>\$ 5,333,264</b>     | <b>\$ 283,414</b>         |   |                                 |                     |
| <b>General Revenues:</b>                              |                     |                         |                           |   |                                 |                     |
| Sales and use tax                                     |                     |                         |                           | 1,119,284   | -                               | 1,119,284           |
| Franchise taxes and fees                              |                     |                         |                           | 141,214   | -                               | 141,214             |
| Other taxes   |                     |                         |                           | 83,507  | -                               | 83,507              |
| Investment earnings                                   |                     |                         |                           | 4,798   | 1,373                           | 6,171               |
| Rental income   |                     |                         |                           | 17,088  | -                               | 17,088              |
| Gain / (loss) on asset disposal                       |                     |                         |                           | 29,666  | 5,617                           | 35,283              |
| Miscellaneous   |                     |                         |                           | 72,231  | 11,492                          | 83,723              |
| <b>Transfers</b>                                      |                     |                         |                           | <b>(27,260)</b>                                     | <b>27,260</b>                   | <b>-</b>            |
| <b>Total General Revenues and Transfers</b>           |                     |                         |                           | <b>1,440,528</b>                                    | <b>45,742</b>                   | <b>1,486,270</b>    |
| <b>Change in Net Position</b>                         |                     |                         |                           | <b>485,724</b>                                      | <b>(513,216)</b>                | <b>(27,492)</b>     |
| Net Position, Beginning of Year, as previously stated |                     |                         |                           | 4,195,882   | 229,866                         | 4,425,748           |
| Prior period adjustments                              |                     |                         |                           | -   | -                               | -                   |
| Net Position, Beginning of Year, restated             |                     |                         |                           | 4,195,882   | 229,866                         | 4,425,748           |
| <b>Net Position, End of Year</b>                      |                     |                         |                           | <b>\$ 4,681,606</b>                                 | <b>\$ (283,350)</b>             | <b>\$ 4,398,256</b> |

See accompanying notes and independent auditor's report.

# CITY OF HEAVENER, OKLAHOMA

## BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

AS OF JUNE 30, 2021

|  | General             | Street &<br>Alley<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>  |                     |                           |                                |                                |
| Cash and cash equivalents                            | \$ 759,887          | \$ 362,709                | \$ -                           | \$ 1,122,596                   |
| Certificates of deposit                              | 74,590              | -                         | -                              | 74,590                         |
| Due from other funds                                 | 131,230             | -                         | -                              | 131,230                        |
| Restricted assets - cash and certificates of deposit | 128,265             | -                         | 217,397                        | 345,662                        |
| <b>Total Assets</b>                                  | <b>\$ 1,093,972</b> | <b>\$ 362,709</b>         | <b>\$ 217,397</b>              | <b>\$ 1,674,078</b>            |
| <b>Liabilities &amp; Fund Balances</b>               |                     |                           |                                |                                |
| <b>Liabilities</b>                                   |                     |                           |                                |                                |
| Payroll and payroll withholdings                     | \$ 32,009           | \$ -                      | \$ -                           | \$ 32,009                      |
| Due to other funds                                   | -                   | 56,503                    | -                              | 56,503                         |
| <b>Total Liabilities</b>                             | <b>32,009</b>       | <b>56,503</b>             | <b>-</b>                       | <b>88,512</b>                  |
| <b>Fund Balances</b>                                 |                     |                           |                                |                                |
| Restricted   | 128,265             | -                         | 217,397                        | 345,662                        |
| Assigned   | -                   | 306,206                   | -                              | 306,206                        |
| Unassigned   | 933,698             | -                         | -                              | 933,698                        |
| <b>Total Fund Balances</b>                           | <b>1,061,963</b>    | <b>306,206</b>            | <b>217,397</b>                 | <b>1,585,566</b>               |
| <b>Total Liabilities and Fund Balances</b>           | <b>\$ 1,093,972</b> | <b>\$ 362,709</b>         | <b>\$ 217,397</b>              | <b>\$ 1,674,078</b>            |

See accompanying notes and independent auditor's report.



# CITY OF HEAVENER, OKLAHOMA

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS

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AS OF JUNE 30, 2021

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Total Fund Balances - Governmental Funds \$ 1,585,566

**Amounts reported for governmental activities in the Statement of Net  
Position are different because of the following:**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$6,545,522 and the accumulated depreciation is \$3,215,175. 3,330,346

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

|                           |              |           |
|---------------------------|--------------|-----------|
| Notes payable             | \$ (125,103) |           |
| Capital lease obligations | (109,203)    | (234,306) |

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Total Net Position - Governmental Activities \$ 4,681,606

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See accompanying notes and independent auditor's report.

# CITY OF HEAVENER, OKLAHOMA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2021

|  | General             | Street &<br>Alley<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                                      |                     |                           |                                |                                |
| Taxes  | \$ 923,716          | \$ 195,568                | \$ -                           | \$ 1,119,284                   |
| Fines and forfeitures                                | 547,601             | -                         | -                              | 547,601                        |
| Franchise fees                                       | 141,214             | -                         | -                              | 141,214                        |
| Other taxes  | 56,150              | 27,357                    | -                              | 83,507                         |
| Grant income   | 283,414             | -                         | -                              | 283,414                        |
| Donations  | 62,869              | -                         | -                              | 62,869                         |
| Rent   | 17,088              | -                         | -                              | 17,088                         |
| Other  | 13,292              | 7,169                     | -                              | 20,461                         |
| Interest   | 2,607               | 177                       | 2,014                          | 4,798                          |
| <b>Total Revenues</b>                                | <b>2,047,951</b>    | <b>230,271</b>            | <b>2,014</b>                   | <b>2,280,236</b>               |
| <b>Expenditures</b>                                  |                     |                           |                                |                                |
| General government                                   | 243,071             | -                         | -                              | 243,071                        |
| Police department                                    | 790,283             | -                         | -                              | 790,283                        |
| Fire department                                      | 88,509              | -                         | -                              | 88,509                         |
| Public works   | -                   | 306,292                   | -                              | 306,292                        |
| Culture and recreation                               | 85,607              | -                         | -                              | 85,607                         |
| Capital outlay                                       | 172,439             | -                         | -                              | 172,439                        |
| Debt service:  |                     |                           |                                |                                |
| Principal  | 118,159             | -                         | -                              | 118,159                        |
| Interest   | 11,427              | -                         | -                              | 11,427                         |
| <b>Total Expenditures</b>                            | <b>1,509,495</b>    | <b>306,292</b>            | <b>-</b>                       | <b>1,815,787</b>               |
| <b>Excess of Revenues Over (Under) Expenditures</b>  | <b>538,456</b>      | <b>(76,021)</b>           | <b>2,014</b>                   | <b>464,449</b>                 |
| <b>Other Financing Sources (Uses)</b>                |                     |                           |                                |                                |
| Operating transfers                                  | (209,601)           | 182,341                   | -                              | (27,260)                       |
| Gain sale of Assets                                  | 29,666              | -                         | -                              | 29,666                         |
| Proceeds from capital lease                          | 70,830              | -                         | -                              | 70,830                         |
| <b>Total Other Financing Sources (Uses)</b>          | <b>(109,105)</b>    | <b>182,341</b>            | <b>-</b>                       | <b>73,236</b>                  |
| <b>Net Change in Fund Balance</b>                    | <b>429,351</b>      | <b>106,320</b>            | <b>2,014</b>                   | <b>537,685</b>                 |
| Fund Balance, Beginning of Year as previously stated | 632,612             | 199,886                   | 215,383                        | 1,047,881                      |
| Prior period adjustments                             | -                   | -                         | -                              | -                              |
| <b>Fund Balance, Beginning of Year as restated</b>   | <b>632,612</b>      | <b>199,886</b>            | <b>215,383</b>                 | <b>1,047,881</b>               |
| <b>Fund Balance, End of Year</b>                     | <b>\$ 1,061,963</b> | <b>\$ 306,206</b>         | <b>\$ 217,397</b>              | <b>\$ 1,585,566</b>            |

See accompanying notes and independent auditor's report.

# CITY OF HEAVENER, OKLAHOMA

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

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FOR THE YEAR ENDED JUNE 30, 2021

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Total Net Change in Fund Balances - Governmental Funds \$ 537,685

**Amounts reported for governmental activities in the Statement of  
Activities are different because of the following:**

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$172,439 are exceeded by depreciation expense of \$260,634 for the period. (88,195)

Reduction upon recognition of lease proceeds (70,830)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

This is the amount by which long-term liabilities were reduced for payments on:

Notes payable 7,863

Capital lease obligations 110,296

The statement of activities reports a loss on disposal of assets. The loss on disposal is calculated as follows:

Miscellaneous adjustment to income 401

Cost of assets disposed (130,243)

Accumulated depreciation of assets disposed 118,747 (11,496)

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**Change in Net Position of Governmental Activities \$ 485,724**

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See accompanying notes and independent auditor's report.

# CITY OF HEAVENER, OKLAHOMA

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS - MODIFIED CASH BASIS

AS OF JUNE 30, 2021

### Assets

#### Current Assets

|  |    |                  |
|--|----|------------------|
| Cash and cash equivalents                            | \$ | 399,734          |
| Restricted assets - cash and certificates of deposit |    | 849,837          |
| Due from other funds                                 |    | -                |
| <b>Total Current Assets</b>                          |    | <b>1,249,571</b> |

#### Non-current Assets

##### Capital assets

|                               |             |
|-------------------------------|-------------|
| Land                          | 229,568     |
| Building and improvements     | 5,076,961   |
| Sewer system and improvements | 7,237,909   |
| Water system and improvements | 1,494,397   |
| Furniture and fixtures        | 2,864       |
| Machinery and equipment       | 1,231,939   |
| Vehicles                      | 134,118     |
| Accumulated depreciation      | (9,389,574) |

**Capital Assets-Net** 6,018,182

**Total Assets** 7,267,753

### Liabilities

#### Current Liabilities

|  |         |
|--|---------|
| Payroll and payroll withholdings             | 1,409   |
| Due to other funds                           | 74,727  |
| Current maturity of long-term debt           | 200,000 |
| Current portion of capital lease obligations | 3,756   |
| Customer meter deposits                      | 89,245  |

**Total Current Liabilities** 369,137

#### Non-current Liabilities

|                           |           |
|---------------------------|-----------|
| Long-term debt            | 7,170,000 |
| Capital lease obligations | 11,966    |

**Total Non-current Liabilities** 7,181,966

**Total Liabilities** 7,551,103

### Net Position

|                                  |             |
|----------------------------------|-------------|
| Net investment in capital assets | (1,351,818) |
| Unrestricted                     | 1,068,468   |

**Total Net Position** \$ (283,350)

See accompanying notes and independent auditor's report.

# CITY OF HEAVENER, OKLAHOMA

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS - MODIFIED CASH BASIS

**FOR THE YEAR ENDED JUNE 30, 2021**

### **Operating Revenues**

|                                 |                  |
|---------------------------------|------------------|
| Charges for services            | \$ 4,741,624     |
| Penalties and fees              | 44,039           |
| Miscellaneous                   | 11,492           |
| <b>Total Operating Revenues</b> | <b>4,797,155</b> |

### **Operating Expenses**

|                                   |                  |
|-----------------------------------|------------------|
| Water                             | 2,040,307        |
| Sewer                             | 639,759          |
| Industrial Sewer                  | 1,878,128        |
| Garbage                           | 212,990          |
| Depreciation                      | 378,473          |
| <b>Total Operating Expenses</b>   | <b>5,149,657</b> |
| <b>Net Income From Operations</b> | <b>(352,502)</b> |

### **Non-Operating Revenue (Expenses)**

|   |                  |
|---|------------------|
| Gain / (loss) on asset disposal               | 5,617            |
| Interest income                               | 1,373            |
| Interest expense                              | (194,964)        |
| <b>Total Non-Operating Revenue (Expenses)</b> | <b>(187,974)</b> |

**Net Income (Loss) Before Operating Transfers** (540,476)

Operating transfers in / (out) 27,260

**Change in Net Position** (513,216)

Net Position, Beginning of Year 229,866

Prior period adjustment -

**Net Position, Beginning of Year, restated** 229,866

**Net Position, End of Year** \$ (283,350)

See accompanying notes and independent auditor's report.

# CITY OF HEAVENER, OKLAHOMA

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

**FOR THE YEAR ENDED JUNE 30, 2021**

### Cash Flows from Operating Activities

|   |               |
|---|---------------|
| Cash received from customers                      | \$ 4,797,155  |
| Cash payments to suppliers for goods and services | (4,677,801)   |
| Cash payments to employees                        | (91,974)      |
| <b>Net Cash Provided By Operating Activities</b>  | <b>27,380</b> |

### Cash Flows from Noncapital and Related Financing Activities

|  |               |
|--|---------------|
| Due to other funds   | 18,448        |
| Due from other funds   | -             |
| Net borrowings (repayment) of advances from primary government           | 27,260        |
| <b>Net Cash Provided For Noncapital and Related Financing Activities</b> | <b>45,708</b> |

### Cash Flows from Capital and Related Financing Activities

|   |                  |
|---|------------------|
| Sale of Assets  | 5,617            |
| Cash used to acquire fixed assets                                 | (159,397)        |
| Note Proceeds   | 7,389,368        |
| Principal paid on debt  | (7,597,371)      |
| Interest paid on debt   | (194,964)        |
| <b>Net Cash Used For Capital and Related Financing Activities</b> | <b>(556,747)</b> |

### Cash Flows from Investing Activities

|  |              |
|--|--------------|
| Interest income                                  | 1,373        |
| <b>Net Cash Provided By Investing Activities</b> | <b>1,373</b> |

|   |                     |
|---|---------------------|
| <b>Net Increase In Cash, Cash Equivalents and Restricted Cash</b> | <b>(482,286)</b>    |
| Cash, Cash Equivalents and Restricted Cash, Beginning of Year     | 1,731,857           |
| <b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>    | <b>\$ 1,249,571</b> |

### Reconciliation to the Statement of Net Position

|   |                     |
|---|---------------------|
| Cash and cash equivalents                               | \$ 399,734          |
| Restricted assets - cash and certificates of deposit    | 849,837             |
| <b>Total Cash, Cash Equivalents and Restricted Cash</b> | <b>\$ 1,249,571</b> |

### Reconciliation of Operating Income to Net Cash Provided By Operating Activities

|  |                  |
|--|------------------|
| Operating income                                 | \$ (352,502)     |
| Adjustments:                                     |                  |
| Depreciation                                     | 378,473          |
| Net change in assets and liabilities:            |                  |
| Payroll and payroll withholdings                 | 1,409            |
| Customer meter deposits                          | -                |
| <b>Net Cash Provided By Operating Activities</b> | <b>\$ 27,380</b> |

See accompanying notes and independent auditor's report.

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### Organization

The City of Heavener, Oklahoma, (the City) operates under an elected Council-City Manager form of government. The City provides the following services to its citizens: public safety (police and fire), streets and highways, sanitation, social services, culture and recreation, public improvements, utilities, planning and zoning, and general administrative services.

### 1. Summary of Significant Accounting Policies

#### a. Reporting Entity

The accompanying financial statements present the City and its component units, entities for which the government is considered financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the government's operations and so data from this unit is included as part of the reporting entity. The City's financial statements do not include any discretely presented component units, which would be reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. In determining the financial reporting entity, the City follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No 14 and No. 34", and includes all component units for which the City is financially accountable.

#### *Blended Component Units*

The Heavener Utilities Authority (the Utility Authority) was created as a public trust pursuant to Title 60 of the Oklahoma Statutes to finance, develop and operate the water, wastewater, and solid waste activities of the City. The City Council serves as the governing body of the Utility Authority. Debt issued by the Utility Authority requires approval of the City Council. The City is the beneficiary of the trust. The City owns the utility systems operated by the Utility Authority and leased such assets to the trust. The Utility Authority is reported as an enterprise fund and does not issue separate financial statements.

Heavener Economic Development Authority was created as a public trust and as an agency of the State of Oklahoma under Title 60, Oklahoma Statutes, and is governed by the City Commission members during their term along with additional appointed trustees who are elected to serve four-year terms. The trust was created for the use and benefit of the City to encourage, promote, and foster economic development within the City.

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 1. Summary of Significant Accounting Policies (continued)

#### b. Basis of Accounting

The financial statements of the City are presented 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 (GAAP) established by the Governmental Accounting Standards Board (GASB). The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and related depreciation, where applicable
- long-term debt, where applicable
- utility deposit liabilities
- certain payroll withholding and related payroll liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and certain 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.

#### c. Basis of Presentation

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

##### *Government-Wide Financial Statements*

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.



# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 1. Summary of Significant Accounting Policies (continued)

#### c. Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

#### *Fund Financial Statements*

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions.

Governmental funds include the following fund types:

The general fund is the City's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditures. Special revenue funds consist of the Street and Alley fund and grant fund.

The debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt, including capital lease obligations, principal, interest and related costs. The Bond fund is the City's only debt service fund.

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 1. Summary of Significant Accounting Policies (continued)

#### c. Basis of Presentation (continued)

The City reports the following major proprietary funds:

The Heavener Utilities Authority is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the Council has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Heavener Utilities Authority of Heavener, Oklahoma, consists of two funds - the Utility Authority fund and the meter deposit fund.

#### d. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting pronouncements that took effect during the fiscal year. The following is a description of the new pronouncements applicable to the City:

GASB Statement No. 75, *Accounting and Reporting for Post Employment Benefits Other Than Pensions*. The purpose of this statement is to improve accounting and financial reporting by state and local governments for post employment benefits other than pensions. The City adopted this financial statement during the year and it had no impact on the City's financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. Split interest agreements are a type of giving arrangement used by donors to provide resources to two or more beneficiaries, including governments. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The City adopted this statement during the year and it had no impact on the financial statements.

GASB Statement No. 85, *Omnibus 2017*. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post employment benefits. The City adopted this statement during the year and it had no impact on the financial statements.

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 1. Summary of Significant Accounting Policies (continued)

#### d. New Accounting Pronouncements (continued)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. The City adopted this statement during the year with no significant impact to the financial statements.

#### e. Assets, Liabilities, and Net Position/Fund Balance

##### Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents, certificates of deposit, and payroll and payroll withholdings. The City's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these instruments.

##### Cash and Cash Equivalents

Cash balances from all funds are pooled and invested to the extent available in certificates of deposit. For purposes of the Statement of Cash Flows, the proprietary fund considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

##### Restricted assets

Funds received from utility customers for water meter deposits are maintained in separate accounts and held for refund to the customer upon their discontinuance of service, provided all outstanding balances are paid.

Certain debt proceeds as well as certain resources set aside for their repayment are classified as assets in the statement of net position and balance sheet because their use is limited by applicable bond and/or loan covenants.

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 1. Summary of Significant Accounting Policies (continued)

#### e. Assets, Liabilities, and Net Position/Fund Balance (continued)

##### Capital Assets

Capital assets, which include buildings and improvements, water distribution system, machinery and equipment, and vehicles are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

|                                | Years   |
|--------------------------------|---------|
| Building and improvements      | 5 - 50  |
| Sewer system and improvements  | 10 - 50 |
| Water system and improvements  | 5 - 50  |
| Street and street improvements | 5 - 40  |
| Furniture and fixtures         | 5 - 10  |
| Machinery and equipment        | 5 - 50  |
| Vehicles                       | 4 - 10  |

In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures.

##### Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "advances to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" or "internal advances".

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 1. Summary of Significant Accounting Policies (continued)

#### e. Assets, Liabilities, and Net Position/Fund Balance (continued)

##### **Compensated Absences**

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid.

##### **Long-term obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types report the face amount of debt as other financing sources.

##### **Net Position / Fund Balance**

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted net position and unrestricted net position.

**Net Investment in Capital Assets** - This component of net position consists of 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 improvement of those assets.

**Restricted Net Position** - Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. It is the City's policy to use restricted net position prior to the use of unrestricted net position when both restricted and unrestricted net position are available for an expense which has been incurred.

**Unrestricted Net Position** - Unrestricted net position represents net position that is not restricted because of constraints imposed by external parties or imposed by laws of other governments or related to the acquisition and construction of capital assets. Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 1. Summary of Significant Accounting Policies (continued)

#### e. Assets, Liabilities, and Net Position/Fund Balance (continued)

##### Net Position / Fund Balance (continued)

In the Fund financial statements, fund balance consists of nonspendable fund balance which includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. Restricted fund balance are amounts restricted to specific purposes. Committed fund balance are amounts that can only be used for specific purposes as pursuant to official action by City Council prior to the end of the reporting period. Assigned fund balance are amounts the City intends to use for a specific purpose but is neither restricted nor committed. Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

When restricted and other fund balance resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

##### Income Taxes

As a government agency, the City is exempt from federal and state income taxes.

### 2. Stewardship, Compliance and Accountability

The City is required to adopt an annual budget for the ensuing fiscal year. The General, special revenue, and proprietary fund types have legally adopted budgets. From the effective date of the budget, the amounts stated therein as proposed expenditures/expenses become appropriations to the various City departments. Throughout the fiscal year the budget was amended to add supplemental appropriations. All amendments to the budget which change the total appropriation amount for any department require City Council approval and all increases in appropriations must be accompanied by an increase in revenue sources of a like amount to maintain a balanced budget.

GASB Statement No. 34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the basic financial statements. These statements must display original budget, amended budget and actual results.

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### Organization

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# **CITY OF HEAVENER, OKLAHOMA**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021**

### **1. Summary of Significant Accounting Policies (continued)**

#### **b. Basis of Accounting**

The financial statements of the City are presented 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 (GAAP) established by the Governmental Accounting Standards Board (GASB). The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and related depreciation, where applicable
- long-term debt, where applicable
- utility deposit liabilities
- certain payroll withholding and related payroll liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and certain 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.

#### **c. Basis of Presentation**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

##### *Government-Wide Financial Statements*

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.



# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 1. Summary of Significant Accounting Policies (continued)

#### c. Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

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The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions.

Governmental funds include the following fund types:

The general fund is the City's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditures. Special revenue funds consist of the Street and Alley fund and grant fund.

The debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt, including capital lease obligations, principal, interest and related costs. The Bond fund is the City's only debt service fund.

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 1. Summary of Significant Accounting Policies (continued)

#### c. Basis of Presentation (continued)

The City reports the following major proprietary funds:

The Heavener Utilities Authority is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the Council has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Heavener Utilities Authority of Heavener, Oklahoma, consists of two funds - the Utility Authority fund and the meter deposit fund.

#### d. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting pronouncements that took effect during the fiscal year. The following is a description of the new pronouncements applicable to the City:

*GASB Statement No. 75, Accounting and Reporting for Post Employment Benefits Other Than Pensions*. The purpose of this statement is to improve accounting and financial reporting by state and local governments for post employment benefits other than pensions. The City adopted this financial statement during the year and it had no impact on the City's financial statements.

*GASB Statement No. 81, Irrevocable Split-Interest Agreements*. Split interest agreements are a type of giving arrangement used by donors to provide resources to two or more beneficiaries, including governments. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The City adopted this statement during the year and it had no impact on the financial statements.

*GASB Statement No. 85, Omnibus 2017*. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post employment benefits. The City adopted this statement during the year and it had no impact on the financial statements.

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 1. Summary of Significant Accounting Policies (continued)

#### d. New Accounting Pronouncements (continued)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. The City adopted this statement during the year with no significant impact to the financial statements.

#### e. Assets, Liabilities, and Net Position/Fund Balance

##### Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents, certificates of deposit, and payroll and payroll withholdings. The City's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these instruments.

##### Cash and Cash Equivalents

Cash balances from all funds are pooled and invested to the extent available in certificates of deposit. For purposes of the Statement of Cash Flows, the proprietary fund considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

##### Restricted assets

Funds received from utility customers for water meter deposits are maintained in separate accounts and held for refund to the customer upon their discontinuance of service, provided all outstanding balances are paid.

Certain debt proceeds as well as certain resources set aside for their repayment are classified as assets in the statement of net position and balance sheet because their use is limited by applicable bond and/or loan covenants.

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 1. Summary of Significant Accounting Policies (continued)

#### e. Assets, Liabilities, and Net Position/Fund Balance (continued)

##### Capital Assets

Capital assets, which include buildings and improvements, water distribution system, machinery and equipment, and vehicles are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

|                                | Years   |
|--------------------------------|---------|
| Building and improvements      | 5 - 50  |
| Sewer system and improvements  | 10 - 50 |
| Water system and improvements  | 5 - 50  |
| Street and street improvements | 5 - 40  |
| Furniture and fixtures         | 5 - 10  |
| Machinery and equipment        | 5 - 50  |
| Vehicles                       | 4 - 10  |

In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures.

##### Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "advances to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" or "internal advances".

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 1. Summary of Significant Accounting Policies (continued)

#### e. Assets, Liabilities, and Net Position/Fund Balance (continued)

##### **Compensated Absences**

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid.

##### **Long-term obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types report the face amount of debt as other financing sources.

##### **Net Position / Fund Balance**

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted net position and unrestricted net position.

**Net Investment in Capital Assets** - This component of net position consists of 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 improvement of those assets.

**Restricted Net Position** - Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. It is the City's policy to use restricted net position prior to the use of unrestricted net position when both restricted and unrestricted net position are available for an expense which has been incurred.

**Unrestricted Net Position** - Unrestricted net position represents net position that is not restricted because of constraints imposed by external parties or imposed by laws of other governments or related to the acquisition and construction of capital assets. Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 1. Summary of Significant Accounting Policies (continued)

#### e. Assets, Liabilities, and Net Position/Fund Balance (continued)

##### Net Position / Fund Balance (continued)

In the Fund financial statements, fund balance consists of nonspendable fund balance which includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. Restricted fund balance are amounts restricted to specific purposes. Committed fund balance are amounts that can only be used for specific purposes as pursuant to official action by City Council prior to the end of the reporting period. Assigned fund balance are amounts the City intends to use for a specific purpose but is neither restricted nor committed. Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

When restricted and other fund balance resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

##### Income Taxes

As a government agency, the City is exempt from federal and state income taxes.

### 2. Stewardship, Compliance and Accountability

The City is required to adopt an annual budget for the ensuing fiscal year. The General, special revenue, and proprietary fund types have legally adopted budgets. From the effective date of the budget, the amounts stated therein as proposed expenditures/expenses become appropriations to the various City departments. Throughout the fiscal year the budget was amended to add supplemental appropriations. All amendments to the budget which change the total appropriation amount for any department require City Council approval and all increases in appropriations must be accompanied by an increase in revenue sources of a like amount to maintain a balanced budget.

GASB Statement No. 34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the basic financial statements. These statements must display original budget, amended budget and actual results.

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 2. Stewardship, Compliance and Accountability (continued)

Budgeted revenue amounts represent the original budget modified by City Council-authorized adjustments during the year, which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Budgets are prepared in conformity with the modified cash basis using the modified accrual basis of accounting.

### 3. Bank Deposits

Exposure to custodial credit related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized without a written or approved collateral agreement. The City funds are undercollateralized by \$304,951 as of June 30, 2021.

The City's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds and letters of credit.

| Description  | City Bank<br>Balance | HUA Bank<br>Balance | Total Bank<br>Balance |
|--|----------------------|---------------------|-----------------------|
| Insured  | \$ 378,266           | \$ 250,000          | \$ 628,266            |
| Collateralized - held by pledging bank or pledging<br>bank's trust department in the City's name | 900,000              | 1,305,000           | 2,205,000             |
| (Over) Under Collateralized  | 304,951              | (306,689)           | (1,738)               |
| Total  | \$ 1,583,217         | \$ 1,248,311        | \$ 2,831,528          |

Deposits as reported in the following statement of net position captions:

| As Of June 30, 2021                                  |              |
|--|--------------|
| Cash and cash equivalents                            | \$ 1,522,330 |
| Certificates of deposit                              | 74,590       |
| Restricted assets - cash and certificates of deposit | 1,195,499    |
| Total  | \$ 2,792,419 |

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 4. Restricted Assets - Cash and Cash Equivalents

Restricted cash and cash equivalents consist of the following:

| <b>As of June 30, 2021</b>                                  |                     |
|---|---------------------|
| <b>Governmental Activities</b>                              |                     |
| General Fund -  |                     |
| Heavener Economic Development Authority                     | \$ 128,265          |
| Bond Fund   |                     |
| Debt service for general obligation bonds                   | -                   |
| Grant fund  |                     |
| OK Foods - Improvements to industrial park and job creation | 217,397             |
| <b>Total Governmental Activities</b>                        | <b>\$ 345,662</b>   |
| <b>Business-Type Activities</b>                             |                     |
| Utility Authority   |                     |
| BOK TRUST ACCOUNT - debt service                            | \$ 182,608          |
| Rural Development - construction                            | 4,439               |
| Sales Tax - debt service reserve                            | 478,443             |
| Meter Deposit Fund - customer meter deposits                | 184,347             |
| <b>Total Business-Type Activities</b>                       | <b>\$ 849,837</b>   |
| <b>Total</b>  | <b>\$ 1,195,499</b> |

### 5. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2021, was as follows:

|  | July 1, 2020     | Additions      | Reductions     | June 30, 2021    |
|--|------------------|----------------|----------------|------------------|
| <b>Capital assets, not being depreciated</b>       |                  |                |                |                  |
| Land   | \$ 353,567       | \$ -           | \$ -           | \$ 353,567       |
| Construction in progress                           | 273,045          | -              | 273,045        | -                |
| <b>Total capital assets, not being depreciated</b> | <b>626,612</b>   | <b>-</b>       | <b>273,045</b> | <b>353,567</b>   |
| <b>Capital assets, being depreciated</b>           |                  |                |                |                  |
| Buildings  | \$ 2,153,425     | \$ 105,823     | \$ -           | \$ 2,259,248     |
| Improvements                                       | 431,988          | 184,848        | 739            | 616,097          |
| Street System                                      | 278,461          | -              | -              | 278,461          |
| Street improvements                                | 1,254,308        | -              | 2,184          | 1,252,124        |
| Furniture and fixtures                             | 98,055           | -              | 3,650          | 94,405           |
| Machinery and equipment                            | 591,129          | 98,384         | 10,991         | 678,522          |
| Vehicles   | 1,068,947        | 56,830         | 112,679        | 1,013,098        |
| <b>Total capital assets, being depreciated</b>     | <b>5,876,313</b> | <b>445,885</b> | <b>130,243</b> | <b>6,191,955</b> |



# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 5. Capital Assets (continued)

|  | July 1, 2020 | Additions  | Reductions | June 30, 2021 |
|--|--------------|------------|------------|---------------|
| Total capital assets, being depreciated      | \$ 5,876,313 | \$ 445,885 | \$ 130,243 | \$ 6,191,955  |
| Less accumulated depreciation                | 3,073,289    | 260,634    | 118,747    | 3,215,176     |
| Total capital assets, being depreciated, net | 2,803,024    | 185,251    | 11,496     | 2,976,779     |
| Governmental activities, capital assets, net | \$ 3,429,636 | \$ 185,251 | \$ 284,541 | \$ 3,330,346  |

Depreciation expense for governmental activities is charged to functions as follows:

|  |            |
|--|------------|
| General government                             | \$ 15,523  |
| Police department                              | 84,242     |
| Fire department                                | 45,878     |
| Public works                                   | 50,736     |
| Culture and recreation                         | 64,255     |
| Total depreciation for governmental activities | \$ 260,634 |

Capital asset activity for business-type activities for the year ended June 30, 2021, was as follows:

|   | July 1, 2020 | Additions    | Reductions | June 30, 2021 |
|---|--------------|--------------|------------|---------------|
| Capital assets, not being depreciated         |              |              |            |               |
| Land  | \$ 229,568   | \$ -         | \$ -       | \$ 229,568    |
| Construction in progress                      | -            | -            | -          | -             |
| Total capital assets, not being depreciated   | 229,568      | -            | -          | 229,568       |
| Capital assets, being depreciated             |              |              |            |               |
| Buildings                                     | 5,027,142    | 43,014       | -          | 5,070,156     |
| Improvements                                  | 3,950        | 2,855        | -          | 6,805         |
| Sewer system                                  | 7,237,909    | -            | -          | 7,237,909     |
| Water system                                  | 1,313,303    | -            | -          | 1,313,303     |
| Water improvements                            | 181,094      | -            | -          | 181,094       |
| Furniture and fixtures                        | 2,864        | -            | -          | 2,864         |
| Machinery and equipment                       | 1,131,241    | 118,698      | 18,000     | 1,231,939     |
| Vehicles                                      | 148,868      | -            | 14,750     | 134,118       |
| Total capital assets, being depreciated       | 15,046,371   | 164,567      | 32,750     | 15,178,188    |
| Less accumulated depreciation                 | 9,039,615    | 378,473      | 28,514     | 9,389,574     |
| Total capital assets, being depreciated, net  | 6,006,756    | (213,906)    | 4,236      | 5,788,614     |
| Business-type activities, capital assets, net | \$ 6,236,324 | \$ (213,906) | \$ 4,236   | \$ 6,018,182  |

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 5. Capital Assets (continued)

Depreciation expense for business-type activities totaled \$378,473, and was entirely charged to the Utility Authority.

### 6. Capital Lease Obligations

The City leases certain vehicles and other equipment under capital leases expiring in 2022. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lesser of the lease term or their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for the year ended June 30, 2021.

The following is a summary of equipment held under capital leases:

|                                 |    |           |  |
|---------------------------------|----|-----------|--|
| Governmental activities:        |    |           |  |
| Police Vehicles                 | \$ | 267,976   |  |
| Fire truck                      |    | 215,000   |  |
| Dump truck                      |    | 0         |  |
| Less: accumulated amortization  |    | (346,003) |  |
| Net Book Value at June 30, 2021 | \$ | 136,973   |  |
| Business-type activities:       |    |           |  |
| Copy machine                    | \$ | 19,368    |  |
| Less: accumulated amortization  |    | (3,874)   |  |
| Net Book Value at June 30, 2021 | \$ | 15,494    |  |

Minimum future lease payments under capital leases are as follows:

| For the Years Ended June 30,    | Governmental<br>Activities | Business-Type<br>Activities | Total      |
|---------------------------------|----------------------------|-----------------------------|------------|
| 2022                            | \$ 62,851                  | 4,176                       | 67,027     |
| 2023                            | 49,847                     | 4,176                       | 54,023     |
| 2024                            | -                          | 4,176                       | 4,176      |
| 2025                            | -                          | 4,176                       | 4,176      |
| 2026                            |                            |                             |            |
| Total capital lease obligations | 112,698                    | 16,704                      | 129,402    |
| Less interest element           | 3,495                      | 982                         | 4,477      |
| Total minimum lease payments    | \$ 109,203                 | \$ 15,722                   | \$ 124,925 |

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 6. Capital Lease Obligations (continued)

| For the Years Ended June 30,        | Governmental<br>Activities | Business-Type<br>Activities | Total     |
|-------------------------------------|----------------------------|-----------------------------|-----------|
| Total minimum lease payments        | \$ 109,203                 | 15,722 \$                   | 124,925   |
| Less current portion                | 60,150                     | 3,756                       | 63,906    |
| Long-term capital lease obligations | \$ 49,053                  | \$ 11,966                   | \$ 61,019 |

Interest rates on capital leases range from 3.25% to 6.45% and are imputed based on the lower of the Company's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

### 7. Long-Term Debt

Governmental Activities - Long-term debt consists of:

| As Of June 30, 2021  |            |
|--|------------|
| Heavener Economic Development Authority Tax Increment Revenue Note,<br>Series 2012 - issued in the original amount of \$179,000. Principal<br>payments of \$13,507 are made annually including interest at 4.25%,<br>with the final payment due on November 1, 2032. The bonds are<br>secured by the ad valorem taxes of the City. |            |
|  | \$ 125,103 |
| Total  | 125,103    |
| Less current portion   | 8,192      |
| Long-Term Debt   | \$ 116,911 |

Principal is scheduled to mature as follows:

| June 30,  | Principal  | Interest  | Total      |
|-----------|------------|-----------|------------|
| 2         | 8,192      | 5,315     | 13,507     |
| 3         | 8,540      | 4,967     | 13,507     |
| 4         | 8,903      | 4,604     | 13,507     |
| 5         | 9,282      | 4,226     | 13,507     |
| 6         | 9,676      | 3,831     | 13,507     |
| 2027-2031 | 54,911     | 12,626    | 67,537     |
| 2032-2034 | 25,598     | 1,644     | 27,242     |
| Total     | \$ 125,103 | \$ 37,212 | \$ 162,315 |

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 7. Long-Term Debt (continued)

Business-Type Activities - Long-term debt consists of:

#### As Of June 30, 2021

Heavener Utilities Authority Series 2020 Promissory Note to Oklahoma Water Resources Board

The note is dated December 1, 2020 in the amount of \$7,370,000.

Payments are made semi-annually with average annual debt service of \$405,016.98

including interest at an average rate of 2.598%. The loan is secured by revenues

and assets of the Utility Authority and is scheduled to mature October 1, 2045. \$ 7,370,000

|                      |              |
|----------------------|--------------|
| Total                | 7,370,000    |
| Less current portion | 200,000      |
| Long-Term Debt       | \$ 7,170,000 |

Principal is scheduled to mature as follows:

| June 30,  | Principal    | Interest     | Total         |
|-----------|--------------|--------------|---------------|
| 2022      | \$ 200,000   | \$ 169,934   | \$ 369,934    |
| 2023      | 240,000      | 168,722      | 408,722       |
| 2024      | 245,000      | 167,108      | 412,108       |
| 2025      | 245,000      | 165,050      | 410,050       |
| 2026      | 245,000      | 162,575      | 407,575       |
| 2027-2031 | 1,285,000    | 756,570      | 2,041,570     |
| 2032-2036 | 1,415,000    | 618,132      | 2,033,132     |
| 2037-2041 | 1,620,000    | 414,106      | 2,034,106     |
| 2042-2046 | 1,875,000    | 149,514      | 2,024,514     |
|           |              |              | -             |
|           | \$ 7,370,000 | \$ 2,771,711 | \$ 10,141,711 |

Activity of the long-term debt consists of the following:

| As Of                           | July 1, 2020 | Additions | Reductions   | June 30, 2021 |
|---------------------------------|--------------|-----------|--------------|---------------|
| <b>Governmental Activities</b>  |              |           |              |               |
| General Obligation Bonds        | \$ -         | \$ -      | \$ -         | \$ -          |
| Recreational Improvement Bonds  | 132,966      | -         | 7,863        | 125,103       |
| Total Governmental Activities   | 132,966      | -         | 7,863        | 125,103       |
| <b>Business-Type Activities</b> |              |           |              |               |
|                                 |              | 7,370,000 |              | 7,370,000     |
| Rural Development               | 7,589,849    | -         | 7,589,849    | -             |
| Total Business-Type Activities  | 7,589,849    | -         | 7,589,849    | 7,370,000     |
| Total                           | \$ 7,722,815 | \$ -      | \$ 7,597,712 | \$ 7,495,103  |

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 8. Rate Covenant

Heavener Utilities Authority Series 2020 Promissory Note to Oklahoma Water Resources Board - requires the Heavener Utilities Authority to maintain pledged revenue, of at least 140% of the annual debt service. As of June 30, 2021, the Authority's debt service does not meet the promissory note requirement.

### 9. Fund Balance Reporting

The fund balance for all governmental funds is classified as nonspendable, restricted, unrestricted and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. As of June 30, 2021, fund balances of the governmental funds are classified as follows:

|                            | General             | Street & Alley    | Nonmajor Funds    |             | Total Governmental Funds |
|----------------------------|---------------------|-------------------|-------------------|-------------|--------------------------|
|                            |                     |                   | Grant Fund        | Bond Fund   |                          |
| <b>Fund Balances</b>       |                     |                   |                   |             |                          |
| Restricted                 |                     |                   |                   |             |                          |
| Economic                   |                     |                   |                   |             |                          |
| Development                | \$ 128,265          | \$ -              | \$ -              | \$ -        | \$ 128,265               |
| Grant fund                 | -                   | -                 | 217,397           | -           | 217,397                  |
| Debt Service               | -                   | -                 | -                 | -           | -                        |
| Assigned                   | -                   | 306,206           | -                 | -           | 306,206                  |
| Unassigned                 | 933,698             | -                 | -                 | -           | 933,698                  |
| <b>Total Fund Balance:</b> | <b>\$ 1,061,963</b> | <b>\$ 306,206</b> | <b>\$ 217,397</b> | <b>\$ -</b> | <b>\$ 1,585,566</b>      |

### 10. Interfund Receivables, Payables and Transfers

Interfund due to and from for interfund borrowings for the year ended June 30, 2021 were as follows:

Balances due from and due to consist of \$56,503 due to General Fund from Street & Alley fund, and \$74,727 due General from Proprietary fund the Heavener Utility Authority.

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 10. Interfund Receivables, Payables and Transfers (continued)

Interfund transfers to cover shared expenses and interfund borrowings for the year ended June 30, 2021 were as follows:

|                            | Transfers In | Transfers Out | Net Transfers |
|----------------------------|--------------|---------------|---------------|
| Governmental Funds         |              |               |               |
| General Fund               | \$ -         | \$ 209,601    | \$ (209,601)  |
| Street & Alley Fund        | 182,341      | -             | 182,341       |
|                            | -            | -             | -             |
| Total - Governmental Funds | 182,341      | 209,601       | (27,260)      |
| Business-type Activities   | 132,771      | 105,511       | 27,260        |
| Total                      | \$ 315,112   | \$ 315,112    | \$ -          |

### 11. Rental Income

The City has two medical centers for lease. Total rental income for the year ended June 30, 2021 was \$17,088. The lease to a mental health facility calls for monthly payments of \$1,424 and expires on June 30, 2021 with an option to renew for one twelve month period. The other facility is under repair

Future minimum annual rental income under the leases at June 30, 2021 is as follows:

| Year ending June 30, |           |
|----------------------|-----------|
| 2021                 | \$ 17,088 |
| Total                | \$ 17,088 |

### 12. Concentrations of Credit Risks

Financial instruments that potentially subject the City and Utility Authority to credit risk consist primarily of the accounts receivable of Utility Authority. The Utility Authority sells primarily to members in and around Heavener, Oklahoma. In addition, sales to one customer comprise 68% of the Utility Authority's total operating revenues as of June 30, 2021.

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 13. County Fire Department Sales Tax Revenue

The LeFlore County Board of Commissioners passed a resolution assessing a .25% sales tax for the benefit of the LeFlore County Fire Departments. The County began collecting the funds July 1, 2011 and remitting monthly into the funds designated by each County Fire Department and maintained under custody and control of the County Treasurer. In accordance with the resolution the funds can generally be used for construction and improvements, various approved equipment, fire training safety and education, and general maintenance and operation of the department. For the period beginning July 1, 2020 thru June 30, 2021 the City of Heavener Fire Department had a beginning balance of \$11,214.59, the department has been appropriated \$43,860.96 for its benefit and has expended \$35,036.48 leaving a balance of \$20,039.07 for future use. Funds requested must be used in accordance with County purchasing policies and procedures as outlined in the resolution.

### 14. Pension and Other Post Employment Benefit (OPEB) Plans

The City participates in two employee defined benefit pension plans as follows:

| <u>Name of Defined Benefit Plan</u>               | <u>Type of Defined Benefit Plan</u> |
|---|-------------------------------------|
| Oklahoma Public Employees Retirement System       | Cost Sharing Multiple Employer      |
| Oklahoma Firefighters Pension and Retirement Plan | Cost Sharing Multiple Employer      |

#### Oklahoma Public Employees Retirement System

##### Plan Summary

The City and Authority both contribute to the Oklahoma Public Employees Retirement System (OPERS). The System is a multiple-employer, cost-sharing employee retirement plan, which is a defined benefit pension plan covering substantially all state employees except employees covered by seven other plans sponsored by the State. It also covers employees of participating county and local agencies. Nearly all new state employees first employed by a System participating employer on or after November 1, 2015, will participate in the State's new defined contribution plan. Therefore, the System is closed to nearly all new State employees, but remains open to new employees of participating counties and local agencies. Agencies and/or participants not included in the System are as follows: teachers, municipal police, municipal firefighters, judicial, wildlife, state law enforcement and nearly all State employees first employed on or after November 1, 2015.

The System also administers the Health Insurance Subsidy Plan (HISP), a cost-sharing multiple-employer defined benefit other post employment plan (OPEB) that provides OPEB covering the same categories of employees covered by the pension plan

The supervisory authority for the management and operation of the System and HISP is the Board, which acts as a fiduciary for investment of the funds and application of System interpretations. Title 74 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPERS.

# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 14. Pension and Other Post Employment Benefit (OPEB) Plans (continued)

Detailed information about the OPERS net pension and net HISP plan fiduciary net positions are available in the separately issued OPERS financial reports available at [www.opers.ok.gov](http://www.opers.ok.gov).

#### Funding Policy

The contribution rates for each member category of the System are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. An actuarially determined portion of the total contributions to the Plan are set aside to finance the costs of benefits of the HISP in accordance with the provisions of the Internal Revenue Code.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation. Only employers contribute to the HISP.

For 2021, contributions of participating county and local agencies totaled 20.0% of salary composed of a minimum employee contribution rate of 3.5% up to a maximum of 8.5% and a minimum employer contribution rate of 11.5% up to a maximum of 16.5%.

#### Funding Policy (continued)

Contributions to the OPERS plan for pension and HISP were as follows:

| Fiscal<br>Year | City                     |                       | HUA                      |                       |
|----------------|--------------------------|-----------------------|--------------------------|-----------------------|
|                | Required<br>Contribution | Amount<br>Contributed | Required<br>Contribution | Amount<br>Contributed |
| 2019 - pension | \$ 76,733                | \$ 76,733             | \$ 11,922                | \$ 11,922             |
| - OPEB         | \$ 5,110                 | \$ 5,110              | \$ 793                   | \$ 793                |
| 2020 - pension | \$ 80,846                | \$ 80,846             | \$ 7,438                 | \$ 7,438              |
| - OPEB         | \$ 5,299                 | \$ 5,299              | \$ 488                   | \$ 488                |
| 2021 - pension | \$ 76,472                | \$ 76,472             | \$ 4,403                 | \$ 4,403              |
| - OPEB         | \$ 4,919                 | \$ 4,919              | \$ 283                   | \$ 283                |



# CITY OF HEAVENER, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### 14. Pension and Other Post Employment Benefit (OPEB) Plans (continued)

#### Oklahoma Firefighters Pension and Retirement Plan

##### Plan Summary

The City participates in the Oklahoma Firefighters Pension and Retirement Plan, a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). The OFPRS plan provides retirement, disability and death benefits to members and beneficiaries. Title 11 of the Oklahoma State Statutes, through Oklahoma legislature, grants the authority to establish and amend the benefit terms to the OFPRS. OFPRS is administered by the Oklahoma Police pension and retirement Board consisting of thirteen members. The Board shall be responsible for the policies and rules for the general administration of the system.

OFPRS issues a publicly available financial report that can be obtained at [www.ok.gov/FPRS](http://www.ok.gov/FPRS).

##### Funding Policy

The contributions requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial valuations. Participating firefighters contribute 9% of applicable earnings, while member cities contribute 14% of the members' applicable earnings. In addition, the member cities contribute \$60 for each volunteer firefighter unless their annual income in the general fund is less than \$25,000, in which case they are exempt. The State of Oklahoma, a non-employer contributing entity, also allocates 36% of insurance premium tax collected from various types of insurance policies to the Plan. The State of Oklahoma may also appropriate additional funds annually as needed to pay current costs and to amortize the unfunded actuarial present value of accumulated plan benefits. No such appropriations were received during the year ended June 30, 2021. Because the financial statements have been prepared on a modified cash basis of accounting, the on-behalf state premium tax contributions have not been recorded.

Contributions to the OFPRS plan were as follows:

| Fiscal<br>Year | City                     |                       | HUA                      |                       |
|----------------|--------------------------|-----------------------|--------------------------|-----------------------|
|                | Required<br>Contribution | Amount<br>Contributed | Required<br>Contribution | Amount<br>Contributed |
| 2019           | \$ 1,260                 | \$ 1,260              | \$ -                     | \$ -                  |
| 2020           | \$ 1,080                 | \$ 1,080              | \$ -                     | \$ -                  |
| 2021           | \$ 1,080                 | \$ 1,080              | \$ -                     | \$ -                  |

### 15. Related Party

The treasurer of the City is the Senior Vice President of Loan Operations at a local bank. The City maintains all of its cash accounts and has one financing lease agreement with this bank.

# **CITY OF HEAVENER, OKLAHOMA**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021**

### **16. Contracts**

The Utility Authority constructed and owns an advanced wastewater treatment plant on behalf of OK Foods, Inc. (OK Foods) per a contract dated October 26, 1987. The agreement states that the Utility Authority shall provide water, and process and dispose of wastewater at specific amounts and rates, and maintain the water and sewer facilities in good working condition. The agreement is for a period of 480 months. The contract has been modified several times, with the latest version dated August 19, 2006. The contract changes have been to reflect updated rates and system modification requirements.

### **17. Risk Management**

The City is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for risk of loss.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in 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 all claims submitted to it during the plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. A Loss Fund has been established from the proceeds of these fees for each participant in the Plan. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund.

There has been no significant reduction in the City's insurance coverage from the previous year. In addition, there have been no settlements in excess of the City's coverage in any of the prior three fiscal years.

### **18. Contingent Liability**

The City is involved in lawsuits arising in the ordinary course of business activities. Although the outcome of these lawsuits is unknown, it is reasonably possible that one may have an unfavorable ruling. There is no accrual for contingency loss as the amount of loss in excess of insurance coverage cannot be determined.

### **19. Subsequent Events**

The City has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2021 through September 21, 2023, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

# CITY OF HEAVENER, OKLAHOMA

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - MODIFIED CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2021

|   | Budget            |                   |                   | Variance                   |
|---|-------------------|-------------------|-------------------|----------------------------|
|   | Original          | Final             | Actual            | Favorable<br>(Unfavorable) |
| <b>Revenues</b>                             |                   |                   |                   |                            |
| Taxes                                       | \$ 655,100        | \$ 618,850        | \$ 923,716        | \$ 304,866                 |
| Fines and forfeitures                       | 579,400           | 585,800           | 547,601           | (38,199)                   |
| Franchise fees                              | 146,500           | 143,500           | 141,214           | (2,286)                    |
| Other fees taxes                            | 52,300            | 52,300            | 56,150            | 3,850                      |
| Grant income                                | 4,500             | 24,000            | 283,414           | 259,414                    |
| Donations                                   | 50,000            | -                 | 62,869            | 62,869                     |
| Rent  | 17,085            | 30,250            | 17,088            | (13,162)                   |
| Other                                       | 7,000             | 7,000             | 13,292            | 6,292                      |
| Interest                                    | 1,150             | 1,021             | 2,607             | 1,586                      |
| <b>Total Revenues</b>                       | <b>1,513,035</b>  | <b>1,462,721</b>  | <b>2,047,951</b>  | <b>585,230</b>             |
| <b>Expenditures</b>                         |                   |                   |                   |                            |
| General government                          | 328,081           | 328,081           | 243,071           | 85,010                     |
| Police department                           | 739,300           | 739,300           | 790,283           | (50,983)                   |
| Fire department                             | 82,370            | 82,370            | 88,509            | (6,139)                    |
| Culture and recreation                      | 80,360            | 80,360            | 85,607            | (5,247)                    |
| Capital outlay                              | 20,000            | 20,000            | 172,439           | (152,439)                  |
| Debt service:                               |                   |                   |                   |                            |
| Principal                                   | 66,600            | 66,600            | 118,159           | (51,559)                   |
| Interest                                    | 17,700            | 17,700            | 11,427            | 6,273                      |
| <b>Total Expenditures</b>                   | <b>1,334,411</b>  | <b>1,334,411</b>  | <b>1,509,495</b>  | <b>(175,084)</b>           |
| <b>Excess of Revenues Over Expenditures</b> | <b>178,624</b>    | <b>128,310</b>    | <b>538,456</b>    | <b>410,146</b>             |
| <b>Other Financing Sources (Uses)</b>       |                   |                   |                   |                            |
| Operating transfers                         | -                 | -                 | (209,601)         | (209,601)                  |
| <b>Total Other Financing Sources</b>        | <b>-</b>          | <b>-</b>          | <b>(209,601)</b>  | <b>(209,601)</b>           |
| <b>Net Change in Fund Balance</b>           | <b>178,624</b>    | <b>128,310</b>    | <b>328,855</b>    | <b>200,545</b>             |
| <b>Fund Balance, Beginning of Year</b>      | <b>617,667</b>    | <b>617,667</b>    | <b>617,667</b>    | <b>-</b>                   |
| <b>Fund Balance, End of Year</b>            | <b>\$ 796,291</b> | <b>\$ 745,977</b> | <b>\$ 946,522</b> | <b>\$ 200,545</b>          |

See independent auditor's report.

# CITY OF HEAVENER, OKLAHOMA

## BUDGETARY COMPARISON SCHEDULE - STREET & ALLEY FUND - MODIFIED CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2021

|  | Budget            |                   |                   | Variance                   |
|--|-------------------|-------------------|-------------------|----------------------------|
|  | Original          | Final             | Actual            | Favorable<br>(Unfavorable) |
| <b>Revenues</b>                                      |                   |                   |                   |                            |
| Taxes  | \$ 160,000        | \$ 160,000        | \$ 195,568        | \$ 35,568                  |
| Other taxes  | 23,500            | 23,500            | 27,357            | 3,857                      |
| Other  | 6,000             | 6,000             | 7,169             | 1,169                      |
| Interest   | 500               | 500               | 177               | (323)                      |
| <b>Total Revenues</b>                                | <b>190,000</b>    | <b>190,000</b>    | <b>230,271</b>    | <b>40,271</b>              |
| <b>Expenditures</b>                                  |                   |                   |                   |                            |
| Public works   | 102,600           | 102,600           | 306,292           | (203,692)                  |
| Capital outlay                                       | 72,250            | 72,250            | -                 | 72,250                     |
| Debt service:  | -                 | -                 | -                 | -                          |
| Principal  | 13,500            | 13,500            | -                 | 13,500                     |
| Interest   | 1,650             | 1,650             | -                 | 1,650                      |
| <b>Total Expenditures</b>                            | <b>190,000</b>    | <b>190,000</b>    | <b>306,292</b>    | <b>(116,292)</b>           |
| <b>Excess of Revenues Over Expenditures</b>          | <b>-</b>          | <b>-</b>          | <b>(76,021)</b>   | <b>(76,021)</b>            |
| <b>Other Financing Sources (Uses)</b>                |                   |                   |                   |                            |
| Operating transfers                                  | -                 | -                 | 182,341           | 182,341                    |
| <b>Total Other Financing Sources</b>                 | <b>-</b>          | <b>-</b>          | <b>182,341</b>    | <b>182,341</b>             |
| <b>Net Change in Fund Balance</b>                    | <b>-</b>          | <b>-</b>          | <b>106,320</b>    | <b>106,320</b>             |
| Fund Balance, Beginning of Year as previously stated | 199,886           | 199,886           | 199,886           | -                          |
| Prior period adjustment                              | -                 | -                 | -                 | -                          |
| <b>Fund Balance, Beginning of Year as restated</b>   | <b>199,886</b>    | <b>199,886</b>    | <b>199,886</b>    | <b>-</b>                   |
| <b>Fund Balance, End of Year</b>                     | <b>\$ 199,886</b> | <b>\$ 199,886</b> | <b>\$ 306,206</b> | <b>\$ 106,320</b>          |

See independent auditor's report.

# CITY OF HEAVENER, OKLAHOMA

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

AS OF JUNE 30, 2021

|  | Grant Fund |         | Bond Fund |   | Total      |
|--|------------|---------|-----------|---|------------|
| <b>Assets</b>  |            |         |           |   |            |
| Restricted assets - cash and certificates of deposit | \$         | 217,397 | \$        | - | \$ 217,397 |
| <b>Total Assets</b>                                  | \$         | 217,397 | \$        | - | \$ 217,397 |
| <b>Fund Balances</b>                                 |            |         |           |   |            |
| Restricted   | \$         | 217,397 | \$        | - | \$ 217,397 |
| <b>Total Fund Balances</b>                           |            | 217,397 |           | - | 217,397    |
| <b>Total Liabilities and Fund Balances</b>           | \$         | 217,397 | \$        | - | \$ 217,397 |

See independent auditor's report.

# CITY OF HEAVENER, OKLAHOMA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

**FOR THE YEAR ENDED JUNE 30, 2021**

|   | <b>Grant<br/>Fund</b> | <b>Total</b>      |
|---|-----------------------|-------------------|
| <b>Revenues</b>                                     |                       |                   |
| Sales and use tax                                   | \$ -                  | \$ -              |
| Interest  | 2,014                 | 2,014             |
| <b>Total Revenues</b>                               | <b>2,014</b>          | <b>2,014</b>      |
| <b>Expenditures</b>                                 |                       |                   |
| Culture and recreation                              | -                     | -                 |
| Debt service:                                       |                       |                   |
| Principal   | -                     | -                 |
| Interest  | -                     | -                 |
| <b>Total Expenditures</b>                           | <b>-</b>              | <b>-</b>          |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <b>2,014</b>          | <b>2,014</b>      |
| <b>Other Financing Sources (Uses)</b>               |                       |                   |
| Operating transfers                                 | -                     | -                 |
| <b>Total Other Financing Sources (Uses)</b>         | <b>-</b>              | <b>-</b>          |
| <b>Net Change in Fund Balance</b>                   | <b>2,014</b>          | <b>2,014</b>      |
| <b>Fund Balance, Beginning of Year</b>              | <b>215,383</b>        | <b>215,383</b>    |
| <b>Fund Balance, End of Year</b>                    | <b>\$ 217,397</b>     | <b>\$ 217,397</b> |

See independent auditor's report.

# CITY OF HEAVENER, OKLAHOMA

## COMBINING STATEMENT OF NET POSITION - PROPRIETARY FUNDS - MODIFIED CASH BASIS

AS OF JUNE 30, 2021

|  | Utility<br>Authority | Meter<br>Deposit Fund | Total               |
|--|----------------------|-----------------------|---------------------|
| <b>Assets</b>  |                      |                       |                     |
| <b>Current Assets</b>                                |                      |                       |                     |
| Cash and cash equivalents                            | \$ 399,734           | \$ -                  | \$ 399,734          |
| Restricted assets - cash and certificates of deposit | 665,490              | 184,347               | 849,837             |
| Due from other funds                                 | 95,102               | (95,102)              | -                   |
| <b>Total Current Assets</b>                          | <b>1,160,326</b>     | <b>89,245</b>         | <b>1,249,571</b>    |
| <b>Non-current Assets</b>                            |                      |                       |                     |
| <b>Capital assets</b>                                |                      |                       |                     |
| Land   | 229,568              | -                     | 229,568             |
| Building and improvements                            | 5,076,961            | -                     | 5,076,961           |
| Sewer system and improvements                        | 7,237,909            | -                     | 7,237,909           |
| Water system and improvements                        | 1,494,397            | -                     | 1,494,397           |
| Furniture and fixtures                               | 2,864                | -                     | 2,864               |
| Machinery and equipment                              | 1,231,939            | -                     | 1,231,939           |
| Vehicles   | 134,118              | -                     | 134,118             |
| Accumulated depreciation                             | (9,389,574)          | -                     | (9,389,574)         |
| <b>Capital Assets-Net</b>                            | <b>6,018,182</b>     | <b>-</b>              | <b>6,018,182</b>    |
| <b>Total Assets</b>                                  | <b>7,178,508</b>     | <b>89,245</b>         | <b>7,267,753</b>    |
| <b>Liabilities</b>                                   |                      |                       |                     |
| <b>Current Liabilities</b>                           |                      |                       |                     |
| Payroll and payroll withholdings                     | 1,409                | -                     | 1,409               |
| Due to other funds                                   | 74,727               | -                     | 74,727              |
| Current maturity of long-term debt                   | 200,000              | -                     | 200,000             |
| Current maturity of capital lease                    | 3,756                | -                     | 3,756               |
| Payable from restricted assets                       |                      |                       |                     |
| Customer meter deposits                              | -                    | 89,245                | 89,245              |
| <b>Total Current Liabilities</b>                     | <b>279,892</b>       | <b>89,245</b>         | <b>369,137</b>      |
| <b>Non-current Liabilities</b>                       |                      |                       |                     |
| Long-term debt                                       | 7,170,000            | -                     | 7,170,000           |
| Capital lease payable                                | 11,966               | -                     | 11,966              |
| <b>Total Non-current Liabilities</b>                 | <b>7,181,966</b>     | <b>-</b>              | <b>7,181,966</b>    |
| <b>Total Liabilities</b>                             | <b>7,461,858</b>     | <b>89,245</b>         | <b>7,551,103</b>    |
| <b>Net Position</b>                                  |                      |                       |                     |
| Net investment in capital assets                     | (1,351,818)          | -                     | (1,351,818)         |
| Unrestricted   | 1,068,468            | -                     | 1,068,468           |
| <b>Total Net Position</b>                            | <b>\$ (283,350)</b>  | <b>\$ -</b>           | <b>\$ (283,350)</b> |

See independent auditor's report.

# CITY OF HEAVENER, OKLAHOMA

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS - MODIFIED CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2021

|   | Utility<br>Authority | Meter<br>Deposit<br>Fund | Total               |
|---|----------------------|--------------------------|---------------------|
| <b>Operating Revenues</b>                           |                      |                          |                     |
| Charges for services                                | \$ 4,741,624         | \$ -                     | \$ 4,741,624        |
| Penalties and fees                                  | 44,039               | -                        | 44,039              |
| Miscellaneous                                       | 11,492               | -                        | 11,492              |
| <b>Total Revenues</b>                               | <b>4,797,155</b>     | <b>-</b>                 | <b>4,797,155</b>    |
| <b>Operating Expenses</b>                           |                      |                          |                     |
| Water   | 2,040,307            | -                        | 2,040,307           |
| Sewer   | 639,759              | -                        | 639,759             |
| Industrial Sewer                                    | 1,878,128            | -                        | 1,878,128           |
| Garbage   | 212,990              | -                        | 212,990             |
| Depreciation  | 378,473              | -                        | 378,473             |
| <b>Total Operating Expenses</b>                     | <b>5,149,657</b>     | <b>-</b>                 | <b>5,149,657</b>    |
| <b>Net Income from Operations</b>                   | <b>(352,502)</b>     | <b>-</b>                 | <b>(352,502)</b>    |
| <b>Non-Operating Revenue (Expenses)</b>             |                      |                          |                     |
| Gain / (loss) on asset disposal                     | 5,617                | -                        | 5,617               |
| Interest income                                     | 1,373                | -                        | 1,373               |
| Interest expense                                    | (194,964)            | -                        | (194,964)           |
| <b>Total Non-Operating Revenue (Expenses)</b>       | <b>(187,974)</b>     | <b>-</b>                 | <b>(187,974)</b>    |
| <b>Net Income (Loss) Before Operating Transfers</b> | <b>(540,476)</b>     | <b>-</b>                 | <b>(540,476)</b>    |
| Operating transfers in / (out)                      | 27,260               | -                        | 27,260              |
| <b>Change in Net Position</b>                       | <b>(513,216)</b>     | <b>-</b>                 | <b>(513,216)</b>    |
| <b>Net Position, Beginning of Year</b>              | <b>229,866</b>       | <b>-</b>                 | <b>229,866</b>      |
| <b>Net Position, End of Year</b>                    | <b>\$ (283,350)</b>  | <b>\$ -</b>              | <b>\$ (283,350)</b> |

See independent auditor's report.



# CITY OF HEAVENER, OKLAHOMA

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2021

|  | Utility<br>Authority | Meter<br>Deposit<br>Fund | Total               |
|--|----------------------|--------------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>  |                      |                          |                     |
| Cash received from customers   | \$ 4,797,155         | \$ -                     | \$ 4,797,155        |
| Cash payments to suppliers for goods and services                                      | (4,677,801)          |                          | (4,677,801)         |
| Cash payments to employees   | (91,974)             |                          | (91,974)            |
| <b>Net Cash Provided By Operating Activities</b>                                       | <b>27,380</b>        | <b>-</b>                 | <b>27,380</b>       |
| <b>Cash Flows from Noncapital and Related Financing Activities</b>                     |                      |                          |                     |
| Due to other funds   | 12,223               | 6,225                    | 18,448              |
| Due from other funds   | 4,600                | (4,600)                  | -                   |
| Net borrowings (repayment) of advances from primary government                         | 27,260               | -                        | 27,260              |
| <b>Net Cash Provided By Noncapital and Related Financing Activities</b>                | <b>44,083</b>        | <b>1,625</b>             | <b>45,708</b>       |
| <b>Cash Flows from Capital and Related Financing Activities</b>                        |                      |                          |                     |
| Sale of Assets   | 5,617                | -                        | 5,617               |
| Cash used to acquire fixed assets  | (159,397)            | -                        | (159,397)           |
| New debt issued  | 7,389,368            | -                        | 7,389,368           |
| Principal paid on debt   | (7,597,371)          | -                        | (7,597,371)         |
| Interest paid on debt  | (194,964)            | -                        | (194,964)           |
| <b>Net Cash Used By Capital and Related Financing Activities</b>                       | <b>(556,747)</b>     | <b>-</b>                 | <b>(556,747)</b>    |
| <b>Cash Flows from Investing Activities</b>  |                      |                          |                     |
| Interest income  | 1,373                | -                        | 1,373               |
| <b>Net Cash Provided By Investing Activities</b>                                       | <b>1,373</b>         | <b>-</b>                 | <b>1,373</b>        |
| <b>Net Increase in Cash, Cash Equivalents and Restricted Cash</b>                      | <b>(483,911)</b>     | <b>1,625</b>             | <b>(482,286)</b>    |
| Cash, Cash Equivalents and Restricted Cash, Beginning of Year                          | 1,549,135            | 182,722                  | 1,731,857           |
| <b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>                         | <b>\$ 1,065,224</b>  | <b>\$ 184,347</b>        | <b>\$ 1,249,571</b> |
| <b>Reconciliation to the Statement of Net Position</b>                                 |                      |                          |                     |
| Cash and cash equivalents  | \$ 399,734           | \$ -                     | \$ 399,734          |
| Restricted assets - cash and certificates of deposit                                   | 665,490              | 184,347                  | 849,837             |
| <b>Total Cash, Cash Equivalents and Restricted Cash</b>                                | <b>\$ 1,065,224</b>  | <b>\$ 184,347</b>        | <b>\$ 1,249,571</b> |
| <b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b> |                      |                          |                     |
| Operating income   | \$ (352,502)         | \$ -                     | \$ (352,502)        |
| Adjustments:   |                      |                          |                     |
| Depreciation   | 378,473              | -                        | 378,473             |
| Net change in assets and liabilities:  |                      |                          |                     |
| Payroll and payroll withholdings   | 1,409                | -                        | 1,409               |
| Customer meter deposits  | -                    | -                        | -                   |
| <b>Net Cash Provided By Operating Activities</b>                                       | <b>\$ 27,380</b>     | <b>\$ -</b>              | <b>\$ 27,380</b>    |

See independent auditor's report.

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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 Heavener, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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 Heavener, Oklahoma, as of and for the year ended June 30, 2021, 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 Heavener, Oklahoma's basic financial statements, and have issued my report thereon dated December 22, 2023.

### Internal Control Over Financial Reporting

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

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material weakness, yet important enough to merit attention by those charged with governance.

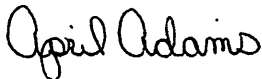
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Heavener's financial statements are free of material misstatement, I 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



April Adams CPA PLLC  
Ponca City, Oklahoma

December 22, 2023