

AUDIT REPORT

CITY OF LEHIGH, OKLAHOMA

JUNE 30, 2022



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CITY OF LEHIGH, OKLAHOMA
JUNE 30, 2022

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CITY OF LEHIGH, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2022

BOARD OF TRUSTEES

<u>NAME</u>	<u>POSITION</u>
JERAD GEARHART	MAYOR
SALLY FINCH	BOARD MEMBER
MAURICA FRANKLIN	BOARD MEMBER
RACHEL NIX	BOARD MEMBER
PATRICK JACKSON	BOARD MEMBER

CITY TREASURER

KAY YARBROUGH

WATER SUPERVISOR

ALFRED HORN JR.

Unaudited

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Lehigh, Oklahoma

Qualified and Unmodified Opinions

I have audited the modified cash-basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lehigh, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Lehigh's basic financial statements as listed in the table of contents.

Summary of Opinions

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Governmental Activities	Qualified
Business-Type Activities	Qualified
Governmental Fund - General Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified
Enterprise Fund - Lehigh PWA Fund	Qualified
Enterprise Fund - Lehigh IDA Fund	Qualified

Qualified Opinions on Governmental Activities, Business-Type Activities, PWA Fund, IDA Fund

In my opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section my report, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, business-type activities, PWA Fund and IDA Fund of the City of Lehigh as of June 30, 2022, and the respective changes in modified cash-basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with modified cash basis of accounting described in Note 1.

Unmodified Opinions on General Fund, Aggregate Remaining Fund Information

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the General Fund and the aggregate remaining fund information of the City of Lehigh as of June 30, 2022, and the respective changes in modified cash-basis financial position thereof for the year then ended in accordance with modified cash basis of accounting described in Note 1.

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Basis for Qualified and Unmodified Opinions

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

Matters Giving Rise to Qualified Opinions on Governmental Activities, Business-Type Activities, PWA Fund and IDA Fund

As discussed in Note 1 to the financial statements, the City has not maintained accurate capital asset records to support the historical cost of past capital asset purchases. The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. The City has not maintained accurate capital assets records to support the historical cost of past capital asset purchases and the related depreciation. Documentation supporting historical cost was not readily available for my review. The amount by which this departure would affect the assets, net position, and expenditures/expenses of the Governmental Activities, Business-Type Activities, PWA Fund and IDA Fund is not readily determinable.

Emphasis of Matter - Basis of Accounting

I draw attention to Note 1 of the financial statements, which 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial

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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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, I

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

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

Supplementary and Other Information

The introductory and supplementary sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in my audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 15, 2023, on my consideration of the City of Lehigh's internal control over financial reporting and 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 Lehigh's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lehigh's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

February 15, 2023

CITY OF LEHIGH, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	2022 Total
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 34,263	\$ 85,870	\$ 120,133
Investments	-	-	-
Total Current Assets	34,263	85,870	120,133
<u>Other Assets:</u>			
Cash and cash equivalents - Restricted	-	14,361	14,361
Total Other Assets	-	14,361	14,361
<u>Capital Assets:</u>			
Capital Assets, net of Accum. Depreciation	83,038	2,810,502	2,893,541
Total Capital Assets	83,038	2,810,502	2,893,541
TOTAL ASSETS	117,301	2,910,734	3,028,035
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Current Portion of Long-Term Debt	-	12,525	12,525
Total Current Liabilities	-	12,525	12,525
<u>Long-Term Liabilities:</u>			
Capital Lease Obligations	-	-	-
Revenue Bonds Payable	-	-	-
Notes Payable	-	559,176	559,176
Total Long-Term Liabilities	-	559,176	559,176
TOTAL LIABILITIES	-	571,700	571,700
<u>NET POSITION</u>			
Net investment in capital assets	83,038	2,238,802	2,334,365
Restricted for:			
Debt Service	-	13,781	13,781
Other Purposes	-	580	580
Unrestricted	34,262	85,870	120,133
TOTAL NET POSITION	\$ 117,301	\$ 2,339,033	\$ 2,456,334

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEHIGH, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General Government	\$ 23,936	\$ -	\$ -	\$ 28,993	\$ 5,057
Public Safety - Fire	11,271	-	4,763	-	(6,508)
Cemetery	6,929	-	-	-	(6,929)
Street & Alley	-	-	-	-	-
Total Governmental Activities	42,135	-	4,763	28,993	(8,379)
Business-type activities:					
Water, Sewer & Sanitation	317,341	179,808	-	32,900	(104,633)
Total Business-type Activities	317,341	179,808	-	32,900	(104,633)
Total	\$ 359,476	\$ 179,808	\$ 4,763	\$ 61,893	\$ (113,012)

Changes in Net Position:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (8,379)	\$ (104,633)	\$ (113,012)
General revenues:			
Taxes:			
Sales Tax	9,770	-	9,770
Use Tax	2,456	-	2,456
Cigar Tax	78	-	78
Franchise Tax	4,884	-	4,884
Intergovernmental:			
Alcoholic Beverage Tax	12,613	-	12,613
Gasoline Excise Tax	507	-	507
Motor Vehicle Tax	-	-	-
Lease Income/Rent	-	-	-
Oil & Gas Lease Income	6,641	-	6,641
Licenses & Permits	-	-	-
Donations	2,034	-	2,034
Miscellaneous Income	-	-	-
Interest Income	22	10	31
Transfers - Internal Activity	(33,756)	33,756	-
Total general revenues & transfers	5,248	33,766	39,014
Changes in net position	(3,131)	(70,868)	(73,999)
Net position - beginning	120,432	2,409,721	2,530,153
Net position - prior year adjustment	-	180	180
Net position - ending	\$ 117,301	\$ 2,339,033	\$ 2,456,334

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEHIGH, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 9,101	\$ 25,162	\$ 34,263
Investments	-	-	-
Accounts Receivable	-	-	-
TOTAL ASSETS	\$ 9,101	\$ 25,162	\$ 34,263
LIABILITIES & FUND EQUITY			
LIABILITIES:			
Accounts Payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-
FUND BALANCES:			
Nonspendable	-	-	-
Restricted	-	3,414	3,414
Committed	-	-	-
Assigned	-	21,748	21,748
Unassigned	9,101	-	9,101
TOTAL FUND BALANCES	9,101	25,162	34,263
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,101	\$ 25,162	

Reconciliation to Statement of Net Position:

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

Capital assets used in governmental activities of \$261,168, net of accumulated depreciation of \$178,130, are not financial resources and, therefore, are not reported in the funds.	83,038
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Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	-
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Net Position of Governmental Activities	\$ 117,301
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The accompanying notes are an integral part of the basic financial statements.

EXHIBIT D

CITY OF LEHIGH, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>			
Taxes:			
Sales Tax	\$ 9,770	\$ -	\$ 9,770
Use Tax	2,456	-	2,456
Cigar Tax	78	-	78
Franchise Tax	4,884	-	4,884
Intergovernmental:			
Alcoholic Beverage Tax	12,613	-	12,613
Gasoline Excise Tax	-	507	507
Motor Vehicle Tax	-	-	-
Grants	28,993	4,763	33,756
Lease Income/Rent	-	-	-
Oil & Gas Lease Income	6,641	-	6,641
Water Revenue	-	-	-
Licenses & Permits	-	-	-
Donations	-	2,034	2,034
Miscellaneous Income	-	-	-
Interest Income	-	22	22
TOTAL REVENUES	65,434	7,326	72,760
<u>EXPENDITURES:</u>			
Current:			
General Government	23,828	-	23,828
Public Safety - Fire	-	11,271	11,271
Cemetery	-	6,929	6,929
Street & Alley	-	-	-
Debt Service	-	-	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	23,828	18,199	42,028
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	41,606	(10,874)	30,732
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfers In	-	9,694	9,694
Operating Transfers Out	(38,686)	(4,763)	(43,449)
Capital Debt Proceeds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(38,686)	4,930	(33,756)
NET CHANGES IN FUND BALANCES	2,920	(5,943)	(3,024)
FUND BALANCE - BEGINNING OF YEAR	6,181	31,106	37,287
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-
FUND BALANCE - END OF YEAR	\$ 9,101	\$ 25,162	34,263

The accompanying notes are an integral part of the basic financial statements.

EXHIBIT D (CONTINUED)

CITY OF LEHIGH, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$	(3,024)
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital debt obligation principal payments		-
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Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Position:

Capital Debt Proceeds		-
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Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized		-
Depreciation expense		(108)

	\$	(3,131)
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The accompanying notes are an integral part of the basic financial statements.

CITY OF LEHIGH, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2022

	Lehigh Public Works Authority	Lehigh Industrial Development Authority	Total Enterprise Funds
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 47,287	\$ 38,583	\$ 85,870
Investments	-	-	-
Total Current Assets	47,287	38,583	85,870
Noncurrent Assets:			
Restricted cash, including time deposits	5,818	8,543	14,361
Capital assets, net of accumulated depreciation	234,749	2,575,753	2,810,502
Total Noncurrent Assets	240,567	2,584,296	2,824,863
TOTAL ASSETS	287,855	2,622,879	2,910,734
<u>LIABILITIES & FUND EQUITY</u>			
Current Liabilities:			
Current Portion of Long-Term Debt	-	12,525	12,525
Total Current Liabilities	-	12,525	12,525
Noncurrent Liabilities:			
Notes Payable	-	559,176	559,176
Total Noncurrent Liabilities	-	559,176	559,176
TOTAL LIABILITIES	-	571,700	571,700
NET POSITION:			
Net Investment in capital assets	234,749	2,004,053	2,238,802
Restricted for debt service	5,818	7,963	13,781
Restricted for other purposes	-	580	580
Unrestricted	47,287	38,583	85,870
TOTAL NET POSITION	\$ 287,855	\$ 2,051,179	\$ 2,339,033

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEHIGH, OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 - MODIFIED CASH BASIS -
 PROPRIETARY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Lehigh Public Works Authority	Lehigh Industrial Development Authority	Total Enterprise Funds
<u>OPERATING REVENUES:</u>			
Water, Sewer and Sanitation Charges	\$ 135,503	\$ 39,104	\$ 174,607
Grant Income	32,900	-	32,900
Grant Income - CDBG	-	-	-
Oil & Gas Lease Income	-	-	-
Miscellaneous	5,201	-	5,201
TOTAL OPERATING REVENUES	173,604	39,104	212,708
<u>OPERATING EXPENSES:</u>			
Current:			
Personal Services	39,529	-	39,529
Trash Service Expense	29,314	-	29,314
Electricity	14,669	-	14,669
Maintenance & Operations	53,046	-	53,046
Depreciation	23,380	132,646	156,026
TOTAL OPERATING EXPENSES	159,938	132,646	292,584
NET OPERATING INCOME (LOSS)	13,666	(93,542)	(79,877)
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	10	-	10
Interest Expense	-	(24,757)	(24,757)
TOTAL NON-OPERATING REVENUES (EXPENSES)	10	(24,757)	(24,747)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	13,675	(118,299)	(104,623)
Capital Contributions	-	-	-
Transfers in	-	33,756	33,756
Transfers out	-	-	-
CHANGE IN NET POSITION	13,675	(84,543)	(70,868)
TOTAL NET POSITION - BEGINNING	273,999	2,135,722	2,409,721
TOTAL NET POSITION - ADJUSTMENTS	180	-	180
TOTAL NET POSITION - ENDING	\$ 287,855	\$ 2,051,179	\$ 2,339,033

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEHIGH, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Lehigh Public Works Authority	Lehigh Industrial Development Authority	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Receipts from Customers	\$ 140,704	\$ 39,104	\$ 179,808
Cash Receipts from Granting Agencies/Other	32,900	-	32,900
Payments to Suppliers, Employees & Laborers	(136,558)	-	(136,558)
Net Cash Provided (Used) by Operating Activities	37,046	39,104	76,150
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfers in	-	33,756	33,756
Operating Transfers Out	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	-	33,756	33,756
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Additions to Capital Assets	(12,725)	-	(12,725)
Decrease (Increase) in Restricted Cash	(4,593)	(2,348)	(6,941)
Grant Income	-	-	-
Principal paid	-	(11,999)	(11,999)
Interest paid	-	(24,757)	(24,757)
Net Cash Provided (Used) by Capital & Related Financing Activities	(17,318)	(39,104)	(56,422)
<u>Cash Flows from Investing Activities:</u>			
Interest Earned	10	-	10
Net Cash Provided (Used) by Investing Activities	10	-	10
Net Increase (Decrease) in Cash and Cash Equivalents	19,737	33,756	53,493
Cash & Cash Equivalents, Beginning of Year	27,370	4,827	32,197
Cash & Cash Equivalents, Adjustments	180	-	180
Cash & Cash Equivalents, End of Year	\$ 47,287	\$ 38,583	\$ 85,870
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>			
Net Operating Income (Loss)	\$ 13,666	\$ (93,542)	\$ (79,877)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation Expense	23,380	132,646	156,026
Increase(Decrease) in Payroll Taxes Payable	-	-	-
Net Cash Provided (Used) by Operating Activities	\$ 37,046	\$ 39,104	\$ 76,150

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEHIGH, OKLAHOMA
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 FIDUCIARY FUND TYPES
 JUNE 30, 2022

	<u>Meter Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 3,820
Investments	<u>-</u>
TOTAL ASSETS	<u>3,820</u>
<u>LIABILITIES & FUND EQUITY</u>	
Meter Deposit Payable	<u>15,892</u>
TOTAL LIABILITIES	<u>15,892</u>
NET POSITION:	
Net investment in capital assets	-
Restricted for debt service	-
Unrestricted	<u>(12,072)</u>
TOTAL NET POSITION	<u><u>\$ (12,072)</u></u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

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

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

PRIMARY GOVERNMENT

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

BLENDED COMPONENT UNITS

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

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

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

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

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

FUND FINANCIAL STATEMENTS

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

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

The funds of the financial reporting entity are described subsequently:

Governmental Funds

General Fund

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

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

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

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Proprietary Funds

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

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

Fiduciary Funds

Trust and Agency Funds - Meter Deposit Fund

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

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

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

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

Basis of Accounting

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

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

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

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

D. FINANCIAL POSITION

CASH AND CASH EQUIVALENTS

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

CAPITAL ASSETS

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

BUDGETS AND BUDGETARY ACCOUNTING

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

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

SALES TAX COLLECTIONS

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

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NET POSITION/FUND BALANCE CLASSIFICATIONS

Government-Wide Statements

Net Position is classified and displayed in three components:

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

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

Fund Financial Statements

Governmental Funds

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

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

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

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

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

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

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

Estimates

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

Memorandum Only

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

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At June 30, 2022, the City held deposits of approximately \$138,314 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit should be covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

Investment Interest Rate Risk

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

Investment Credit Risk

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

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

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

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

For the year ended June 30, 2022 the City complies with the above noted investment restrictions.

NOTE 3 - RESTRICTED ASSETS

The loan agreements with the United States Department of Agriculture Rural Development (USDA) require the District to set aside into a Reserve Account the sum 10% of the monthly installments or \$306.30 each month until there is accumulated in that account the sum of the annual installment for each loan (\$27,492 for 92-01 and \$9,264 for 92-04, total of \$36,756), after which deposits may be suspended, except to replace withdrawals. The District cannot withdraw funds from the reserve account without USDA approval. As of June 30, 2022, the account balance for the reserve account was \$7,963, which does not meet the required balance of \$36,756.00.

NOTE 4 - CAPITAL ASSETS

Capital asset activity, resulting from the modified cash basis transactions, for the fiscal year ended June 30, 2022, was as follows:

City of Lehigh:

	Balance at July 1, 2021	Additions	Retirements	Balance at June 30, 2022
PRIMARY GOVERNMENT:				
<i>Governmental Activities:</i>				
Capital Assets not being Depreciated:				
Land and Construction in Progress	\$ 82,500	\$ -	\$ -	\$ 82,500
Total Capital Assets not being Depreciated	82,500	-	-	82,500
Other capital assets:				
Other Capital Assets	178,668	-	-	178,668
Total Other Capital Assets at Historical Cost	178,668	-	-	178,668
Less: Accum. Depreciation for:				
Other Capital Assets	178,022	108	-	178,130
Total Accumulated Depreciation	178,022	108	-	178,130
Other Capital Assets, Net	646	(108)	-	538
Governmental Activities Capital Assets, net	\$ 83,146	\$ (108)	\$ -	\$ 83,038

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Lehigh Public Works Authority:

	Balance at July 1, 2021	Additions	Retirements	Balance at June 30, 2022
<i>Business-Type Activities:</i>				
Capital Assets not being Depreciated:				
Land and Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total Capital Assets not being Depreciated	-	-	-	-
Other capital assets:				
Water & Sewer Improvements	418,461	12,725	-	431,186
Machinery & Equipment	653	-	-	653
Total Other Capital Assets at Historical Cost	419,114	12,725	-	431,839
Less: Accum. Depreciation for:				
Water & Sewer Improvements	173,057	23,380	-	196,437
Machinery & Equipment	653	-	-	653
Total Accumulated Depreciation	173,710	23,380	-	197,090
Other Capital Assets, Net	245,404	(10,655)	-	234,749
Business-Type Activities Capital Assets, net	\$ 245,404	\$ (10,655)	\$ -	\$ 234,749

Lehigh Industrial Development Authority:

	Balance at July 1, 2021	Additions	Retirements	Balance at June 30, 2022
<i>Business-Type Activities:</i>				
Capital Assets not being Depreciated:				
Land and Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total Capital Assets not being Depreciated	-	-	-	-
Other capital assets:				
Industrial Building	460,020	-	-	460,020
Sewer Improvements	3,519,359	-	-	3,519,359
Total Other Capital Assets at Historical Cost	3,979,379	-	-	3,979,379
Less: Accum. Depreciation for:				
Industrial Building	61,336	15,334	-	76,670
Sewer Improvements	1,209,644	117,312	-	1,326,956
Total Accumulated Depreciation	1,270,980	132,646	-	1,403,626
Other Capital Assets, Net	2,708,399	(132,646)	-	2,575,753
Business-Type Activities Capital Assets, net	\$ 2,708,399	\$ (132,646)	\$ -	\$ 2,575,753

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

PRIMARY GOVERNMENT:

Governmental Activities:

General Government

Total depreciation expense for governmental activities

\$	108
<u>\$</u>	<u>108</u>

Business-Type Activities:

Water, Sewer & Sanitation

Industrial Development

Total depreciation expense for business-type activities

\$	23,380
\$	132,646
<u>\$</u>	<u>156,026</u>

NOTE 5 - LONG-TERM DEBT

ENTERPRISE FUND DEBT

NOTE PAYABLE:

Terms and Collateral

Outstanding Debt
June 30, 2022

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

\$429,269.49

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

\$142,430.98

Total Notes Payable Outstanding

\$571,700.47

The following is a summary of long-term debt additions and deductions for the year ended June 30, 2022:

	Balance 7/1/2021	Additions	Deductions	Balance 6/30/2022
N/P - RD #1	\$ 438,307	\$ -	\$ (9,038)	\$ 429,269
N/P - RD #4	145,393	-	(2,962)	142,431
	<u>\$ 583,700</u>	<u>\$ -</u>	<u>\$ (11,999)</u>	<u>\$ 571,700</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2022, are as follows:

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

RD #92-01

Year Ended June 30,	Principal	Interest	Annual Payment
2023	\$ 9,430	\$ 18,062	\$ 27,492
2024	9,839	17,653	27,492
2025	10,265	17,227	27,492
2026	10,710	16,782	27,492
2027	11,175	16,317	27,492
2028-2032	63,570	73,890	137,460
2033-2037	78,592	58,868	137,460
2038-2042	97,164	40,296	137,460
2043-2047	120,124	17,336	137,460
2048	18,399	300	18,699
Total	<u>\$ 429,269</u>	<u>\$ 276,731</u>	<u>\$ 705,999</u>

RD #92-04

Year Ended June 30,	Principal	Interest	Annual Payment
2023	\$ 3,094	\$ 6,170	\$ 9,264
2024	3,232	6,032	9,264
2025	3,377	5,887	9,264
2026	3,527	5,737	9,264
2027	3,685	5,579	9,264
2028-2032	21,043	25,277	46,320
2033-2037	26,178	20,142	46,320
2038-2042	32,566	13,754	46,320
2043-2047	40,513	5,807	46,320
2048	5,215	75	5,290
Total	<u>\$ 142,431</u>	<u>\$ 94,459</u>	<u>\$ 236,890</u>

NOTE 6 - COMMITMENTS AND CONTINGENCIES

GRANT PROGRAMS

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

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

LITIGATION

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

NOTE 7 - ENTERPRISE FUNDS

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

NOTE 8 - LEASE INCOME

Oil & Gas Lease

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

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

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

Grass Lease

The City accepted the following grass leases:

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

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 - ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

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

NOTE 10 - PENSION PLAN

Oklahoma Municipal Retirement Fund

The City provides a defined contribution plan and trust known as the City of Lehigh Plan and Trust (the "OMRF Plan") in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF) available to all full-time employees. OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by Bank One Trust Company of Oklahoma City. The defined contribution plan is mandatory to all full-time employees who are not already participating in another plan. The employee contributes to the Plan an amount of 5% of their gross wages. The Town as employer, contributes a match of 5%. If any employee terminates before becoming fully vested (vested after seven years), the employer's contributions that are forfeited may be used to reduce the Town's current-period contribution requirements.

The OMRF contributions for 2022, 2021, and 2020 for the PWA, respectively, were \$450.00, \$0 and \$0. (Plan started in 2022)

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, OK 73105.

NOTE 11 - RISK MANAGEMENT

The City's risk management of loss consists of commercial insurance for property and liability losses, an employee's bond for employee dishonesty, and worker's compensation through the State Insurance Fund. There have been no significant reductions in insurance coverage during the year ended June 30, 2022.

PARTICIPATION IN PUBLIC ENTITY RISK POOL

The City of Lehigh participated in the Oklahoma Municipal Assurance Group (OMAG) for insurance purposes. The Oklahoma Municipal Assurance

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

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

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

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 - INTERFUND TRANSACTIONS

Interfund operating transfers for the year ended June 30, 2022, were as follows:

OPERATING TRANSFERS:	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Fire Department Fund	\$ -	\$ 4,846.79
Cemetery Fund	-	4,846.79
Lehigh Industrial Development Authority	-	28,992.79
Lehigh Public Works Authority	-	-
Total General Fund	<u>\$ -</u>	<u>\$ 38,686.37</u>
SPECIAL REVENUE FUNDS:		
Fire Department Fund:		
General Fund	\$ 4,846.79	\$ -
Lehigh Industrial Development Authority	-	4,763.09
Street & Alley Fund:		
General Fund	-	-
Cemetery Fund:		
General Fund	4,846.79	-
Total Special Revenue Funds	<u>\$ 9,693.58</u>	<u>\$ 4,763.09</u>
FIDUCIARY FUNDS:		
Meter Fund:		
General Fund	\$ -	\$ -
Lehigh Public Works Authority	-	-
Lehigh Industrial Development Authority	-	-
Total Fiduciary Funds	<u>\$ -</u>	<u>\$ -</u>
ENTERPRISE FUNDS		
Lehigh Public Works Authority:		
General Fund	\$ -	\$ -
Lehigh Industrial Development Auth.	-	-
Lehigh Industrial Development Authority:		
General Fund	28,992.79	-
Fire Department Fund	4,763.09	-
Lehigh Public Works Authority	-	-
Total Enterprise Funds	<u>\$ 33,755.88</u>	<u>\$ -</u>
	<u>\$ 43,449.46</u>	<u>\$ 43,449.46</u>

NOTE 13 - SUBSEQUENT EVENTS

The City did not have any subsequent events through February 15, 2023, which is the date the financial statements were issued, for events

CITY OF LEHIGH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

requiring recording or disclosure in the financial statements for the year ending June 30, 2022.

NOTE 14 - PRIOR YEAR ADJUSTMENT

A prior year adjustment was made to the Lehigh Public Works Authority fund to void an old outstanding check in the amount of \$180.00.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Lehigh, Oklahoma

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 Lehigh, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the City of Lehigh, Oklahoma's basic financial statements, and have issued my report thereon dated February 15, 2023, which was qualified for the improper capital asset recordkeeping.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Lehigh'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 Lehigh's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Lehigh's internal control.

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

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

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significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control described in the accompanying Schedule of Findings as Item 22-01 and 22-02 that I consider to be significant deficiencies.

Compliance and Other Matters

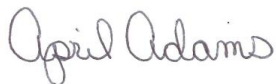
As part of obtaining reasonable assurance about whether the City of Lehigh's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance that are required to be reported under Government Auditing Standards, which are included in the Schedule of Findings as Items 22-03 and 22-04. The results of my tests disclosed no instances of other matters that are required to be reported under Government Auditing Standards.

City of Lehigh's Response to Findings

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

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

February 15, 2023

CITY OF LEHIGH, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2022

INTERNAL CONTROL FINDINGS:

Item 22-01: Segregation of Duties

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

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

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

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

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

Item 22-02: Meter Deposits

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

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

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

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

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

CITY OF LEHIGH, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2022

COMPLIANCE FINDINGS:

Item 22-03: Water and Sewer Recordkeeping

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

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

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

Response: The Authority is aware of the problem.

Item 22-04: Reserve Requirement

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

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

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

Response: The Authority is aware of the problem.

EXHIBIT I

CITY OF LEHIGH, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Beginning Budgetary Fund Balance:	\$ 6,181	\$ 6,181	\$ 6,181	\$ -
<u>Resources (Inflows):</u>				
Taxes:				
Sales Tax	15,751	15,751	9,770	(5,981)
Use Tax	2,978	2,978	2,456	(522)
Cigar Tax	136	136	78	(58)
Franchise Tax	4,266	4,266	4,884	618
Intergovernmental:				
Alcoholic Beverage Tax	11,842	11,842	12,613	771
Grant Income	-	-	28,993	28,993
Lease Income/Rent	-	-	-	-
Oil & Gas Lease Income	3,237	3,237	6,641	3,404
Water Revenue	-	-	-	-
Licenses & Permits	-	-	-	-
Miscellaneous Income	-	-	-	-
Interest Income	-	-	-	-
Other Financing Sources:				
Operating Transfers In	-	-	-	-
Amounts available for appropriation	<u>44,390</u>	<u>44,390</u>	<u>71,615</u>	<u>27,225</u>
<u>Charges to Appropriations (Outflows):</u>				
Personal Services	22,000	22,000	20,212	1,788
Maintenance & Operations	2,500	2,500	3,616	(1,116)
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Transfers	<u>19,890</u>	<u>19,890</u>	<u>38,686</u>	<u>(18,796)</u>
Total Charges to Appropriations	<u>44,390</u>	<u>44,390</u>	<u>62,514</u>	<u>(18,124)</u>
Adjustments to Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>9,101</u>	<u>9,101</u>

Unaudited

CITY OF LEHIGH, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2022

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

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

Unaudited

CITY OF LEHIGH, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

	SPECIAL REVENUE FUNDS			Total Nonmajor Governmental Funds
	Street & Alley Fund	Volunteer Fire Fund	Cemetery Fund	
ASSETS				
Cash and cash equivalents	\$ 3,414	\$ 11,533	\$ 10,215	\$ 25,162
Due from Other Funds	-	-	-	-
TOTAL ASSETS	<u>\$ 3,414</u>	<u>\$ 11,533</u>	<u>\$ 10,215</u>	<u>\$ 25,162</u>
LIABILITIES & FUND EQUITY				
LIABILITIES:				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted	3,414	-	-	3,414
Committed	-	-	-	-
Assigned	-	11,533	10,215	21,748
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>3,414</u>	<u>11,533</u>	<u>10,215</u>	<u>25,162</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,414</u>	<u>\$ 11,533</u>	<u>\$ 10,215</u>	<u>\$ 25,162</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEHIGH, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	SPECIAL REVENUE FUNDS			Total Nonmajor Governmental Funds
	Street & Alley Fund	Volunteer Fire Fund	Cemetery Fund	
REVENUES:				
Taxes:				
Sales Tax	\$ -	\$ -	\$ -	\$ -
Franchise Tax	-	-	-	-
Intergovernmental:				
Alcoholic Beverage Tax	-	-	-	-
Gasoline Excise Tax	507	-	-	507
Motor Vehicle Tax	-	-	-	-
Grants	-	4,763	-	4,763
Donations	-	495	1,539	2,034
Fund Raisers	-	-	-	-
Reimbursements	-	-	-	-
Miscellaneous	-	-	-	-
Interest Income	-	11	11	22
TOTAL REVENUES	507	5,269	1,550	7,326
EXPENDITURES:				
Current:				
Cemetery	-	-	6,929	6,929
Public Safety - Fire	-	11,271	-	11,271
Street & Alley	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	-	11,271	6,929	18,199
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	507	(6,002)	(5,379)	(10,874)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	4,847	4,847	9,694
Operating Transfers Out	-	(4,763)	-	(4,763)
Capital Debt Proceeds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	84	4,847	4,930
NET CHANGES IN FUND BALANCES	507	(5,918)	(532)	(5,943)
FUND BALANCE - BEGINNING OF YEAR	2,907	17,452	10,747	31,106
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 3,414	\$ 11,533	\$ 10,215	\$ 25,162

The accompanying notes are an integral part of the basic financial statements.