

TOWN OF  
**HENNESSEY,**  
**OKLAHOMA**



**ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2023**

**THE TOWN OF HENNESSEY,  
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**TOWN OF HENNESSEY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2023**

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**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
of the Town of Hennessey, Oklahoma

### **Opinion**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Hennessey, Oklahoma, (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matter—Basis of Accounting**

We 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. Our opinions are not modified with respect to this matter.

### **Responsibilities of Management 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, and for 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our 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 our 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Town'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

#### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hennessey, Oklahoma's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2024 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Arledge & Associates PC*

Oklahoma City, Oklahoma  
August 8, 2024





**TOWN OF HENNESSEY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2023**

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**TOWN OF HENNESSEY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2023**

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The management of the Town of Hennessey is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the Town's financial condition and activities as of and for the year ended June 30, . Management of the Town is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The Town reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

## **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the Town's total net position decreased by \$69,451 and the assets of the Town exceed its liabilities at June 30, , by \$4,878,316 (net position). Of this amount, \$1,376,109 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, , the Town's governmental funds reported combined ending fund balances on a modified cash basis of \$3,627,275.
- At the end of fiscal year , unassigned fund balance on a modified cash basis for the General Fund was \$774,455 or 53.9% of annual General Fund revenues.

## **ABOUT THE TOWN**

The Town of Hennessey is a statutory town form of government with a population of approximately 2,131 located in Kingfisher County in central Oklahoma. The Town is governed by a five-member Board and operates under state law and Town ordinances through the three branches of democratic government:

- Legislative – the Town Board is a five-member governing body elected by the citizens at large
- Executive – the Town Mayor is the Chief Executive Officer and is appointed by the Town Board
- Judicial – the Municipal Judge is a practicing attorney appointed by the Town Board

The Town provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, library, community development, ambulance, and through its Utilities Authority, certain utility services including water, wastewater, and sanitation.

### ***The Town's Financial Reporting Entity***

This annual report includes all activities for which the Town Board is financially accountable. These activities, defined as the Town's financial reporting entity, are operated within separate legal entities.

The Town's financial reporting entity includes the following separate legal entities.

- **The Town of Hennessey (primary government)** – operates the public safety, cemetery, streets and public works, health and welfare, culture and recreation, and administrative activities of the Town.
- **The Hennessey Utilities Authority (HUA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the Town. The Town of Hennessey is the beneficiary of the trust and the Town Board serves as the governing body of the trust.

In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the Town Board. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the Town's financial reporting entity. The public trust does not issue separate annual financial statements, and is reported as a blended enterprise fund within the town's financial statements.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the Town of Hennessey (the "Town") and the Hennessey Utilities Authority (the "Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present a financial picture of the Town using the modified cash basis of accounting. They present governmental and business-type activities separately and combined. For these activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

### **Reporting the Town as a Whole**

#### ***The Statement of Net Position and Statement of Activities***

One of the most important questions to ask about the Town's finances is, "Has the Town's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the Town's sales tax base, the condition of the Town's roads, and quality of service to assess the overall health of the Town. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those Town assets and liabilities resulting from cash transactions, with capital assets and long-term debt activity excluded from the Statement of Net Position.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities: *Governmental activities* - Most of the Town's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the Town charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The Town's water, sewer, and sanitation utilities are reported as business-type activities.

## **Reporting the Town's Most Significant Funds - Fund Financial Statements**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the Town's most significant (major) funds -- not the Town as a whole. Some funds are required to be established by State law and by debt covenants. However, the Town Board may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town uses two kinds of funds – *governmental and proprietary*.

*Governmental funds* - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

*Proprietary funds* - When the Town, through the Utilities Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting. The Town's proprietary fund is the Hennessey Utilities Authority that accounts for the operation of the water, sewer, and sanitation activities.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-37 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and the Restricted Sales Tax Fund, combining and individual financial statements.

### **THE TOWN AS A WHOLE**

For the year ended June 30, , net position on a modified cash basis for the governmental and business-type activities decreased \$69,451.

Following is a summary of net position reported on a modified cash basis for the Town of Hennessey:

**TOWN OF HENNESSEY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2023**

**The Town of Hennessey's Net Position (Modified Cash Basis)**  
**June 30,**  
**(In Thousands)**

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Current assets	\$ 3,627	\$ 3,282	11%	\$ 1,329	\$ 1,732	-23%	\$ 4,956	\$ 5,014	-1%
<b>Total assets</b>	<u>3,627</u>	<u>3,282</u>	11%	<u>1,329</u>	<u>1,732</u>	-23%	<u>4,956</u>	<u>5,014</u>	-1%
Current liabilities	-	-	-	78	66	18%	78	66	18%
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	-	<u>78</u>	<u>66</u>	18%	<u>78</u>	<u>66</u>	18%
Net position									
Restricted	2,768	2,487	11%	734	972	-24%	3,502	3,459	1%
Unrestricted	859	795	8%	517	694	-26%	1,376	1,489	-8%
<b>Total net position</b>	<u>\$ 3,627</u>	<u>\$ 3,282</u>	11%	<u>\$ 1,251</u>	<u>\$ 1,666</u>	-25%	<u>\$ 4,878</u>	<u>\$ 4,948</u>	-1%

A portion of the Town's net position, \$3,502,207, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,376,109, may be used to meet the government's ongoing needs.

**The Town of Hennessey's Revenues, Expenses and Changes in Net Position (Modified Cash Basis)**  
**Year Ended June 30,**  
**(In Thousands)**

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
<b>Revenues</b>									
Charges for services	\$ 276	\$ 226	22%	\$ 1,532	\$ 1,387	10%	\$ 1,808	\$ 1,613	12%
Operating grants and contributions	40	35	14%	144	65	122%	184	100	84%
Capital grants and contributions	153	5	2960%	-	-	-	153	5	2960%
Taxes	1,812	1,637	11%	-	-	-	1,812	1,637	11%
Intergovernmental revenue	250	249	0%	-	-	-	250	249	0%
Investment income	8	7	14%	23	2	1050%	31	9	244%
Miscellaneous	149	66	126%	16	1	1500%	165	67	146%
Debt proceeds	-	-	-	-	1,104	-100%	-	1,104	-100%
<b>Total revenues</b>	<u>2,688</u>	<u>2,225</u>	21%	<u>1,715</u>	<u>2,559</u>	-33%	<u>4,403</u>	<u>4,784</u>	-8%
<b>Expenses</b>									
General government	303	277	9%	-	-	-	303	277	9%
Public safety	913	774	18%	-	-	-	913	774	18%
Streets	565	310	82%	-	-	-	565	310	82%
Culture and recreation	370	300	23%	-	-	-	370	300	23%
Cemetery	2	13	-85%	-	-	-	2	13	-85%
Water	-	-	-	1,180	832	42%	1,180	832	42%
Wastewater	-	-	-	537	773	-31%	537	773	-31%
Sanitation	-	-	-	411	348	18%	411	348	18%
Public works	-	-	-	191	191	0%	191	191	0%
<b>Total expenses</b>	<u>2,153</u>	<u>1,674</u>	29%	<u>2,319</u>	<u>2,144</u>	8%	<u>4,472</u>	<u>3,818</u>	17%
Excess (deficiency) before transfers	535	551	-3%	(604)	415	246%	(69)	966	107%
Transfers	(190)	(191)	-1%	190	191	-1%	-	-	-
<b>Change in net position</b>	<u>345</u>	<u>360</u>	-4%	<u>(414)</u>	<u>606</u>	168%	<u>(69)</u>	<u>966</u>	107%
<b>Beginning net position</b>	<u>3,282</u>	<u>2,922</u>	12%	<u>1,666</u>	<u>1,060</u>	57%	<u>4,948</u>	<u>3,982</u>	24%
<b>Ending net position</b>	<u>\$ 3,627</u>	<u>\$ 3,282</u>	11%	<u>\$ 1,252</u>	<u>\$ 1,666</u>	-25%	<u>\$ 4,879</u>	<u>\$ 4,948</u>	-1%

**TOWN OF HENNESSEY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2023**

**Governmental Activities**

The Town's governmental activities had an increase in net position of \$345,455. Capital grants and contributions increased \$150,000 over the prior year due to CDBG Grant for storm drainage project received in the current year. Street expenses increased 82% due to street and storm drainage improvement projects in the current year.

**Net Revenue (Expense) of Governmental Activities**  
**(In Thousands)**

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
General government	\$ 303	\$ 277	9%	\$ (291)	\$ (267)	9%
Public safety	913	774	18%	(742)	(645)	15%
Streets	565	310	82%	(392)	(284)	38%
Culture, parks and recreation	370	300	23%	(265)	(210)	26%
Cemetery	<u>2</u>	<u>13</u>	-85%	<u>7</u>	<u>(2)</u>	-450%
<b>Total</b>	<b>\$ 2,153</b>	<b>\$ 1,674</b>	<b>29%</b>	<b>\$ (1,683)</b>	<b>\$ (1,408)</b>	<b>20%</b>

**Business-type Activities**

The business-type activities had a decrease in net position of \$414,906. This decrease is mainly due to water and sanitary sewer improvement projects expense in the current year.

**Net Revenue (Expense) of Business-Type Activities**  
**(In Thousands)**

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Water	\$ 1,180	\$ 832	42%	\$ (299)	\$ (88)	240%
Wastewater	537	773	-31%	(176)	(445)	-60%
Sanitation	411	348	18%	22	32	-31%
Public works	<u>191</u>	<u>191</u>	0%	<u>(191)</u>	<u>(191)</u>	0%
<b>Total</b>	<b>\$ 2,319</b>	<b>\$ 2,144</b>	<b>8%</b>	<b>\$ (644)</b>	<b>\$ (692)</b>	<b>-7%</b>

## **A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As the Town completed its fiscal year, the governmental funds reported a combined fund balance of \$3,627,275. For the year ended June 30, , the General Fund's total fund balance increased by \$5,020.

### **Budgetary Highlights**

For the year ended June 30, , the General Fund reported actual modified cash basis revenues over final estimates by \$30,337 or a 2.2% positive variance. General Fund actual expenditures were under final appropriations by \$90,360 or a 5.9% positive variance.

The Restricted Sales Tax Fund reported actual modified cash basis revenues over final estimates by \$215,183 or a 21.4% positive variance for the year ended June 30, . Restricted Sales Tax Fund actual expenditures were under final appropriations by \$320,194 or a 26.9% positive variance.

## **ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

The following information outlines significant known factors that will affect subsequent year finances:

- The Town continues to have active projects for sanitary sewer and drainage improvements. These projects are expected to be completed in the upcoming fiscal year. The Town is committed to continually making improvements as it can to attract new businesses and tourism.
- Other items of the FY 24 budget remain fairly consistent with the prior year.

### **Contacting the Town's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's office at P.O. Box 306, Hennessey, Oklahoma 73742 or telephone at 405-853-2416.

**TOWN OF HENNESSEY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2023**

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**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**



**TOWN OF HENNESSEY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2023

**Statement of Net Position (Modified Cash Basis)– June 30,**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 847,906	\$ 664,914	\$ 1,512,820
Investments	2,691,220	751,937	3,443,157
Internal balances	88,149	(88,149)	-
Total assets	<u>3,627,275</u>	<u>1,328,702</u>	<u>4,955,977</u>
<b>LIABILITIES</b>			
Due to depositors	-	77,661	77,661
Total liabilities	<u>-</u>	<u>77,661</u>	<u>77,661</u>
<b>NET POSITION</b>			
Restricted for:			
Emergency services	798,780	-	798,780
Street improvements	195,375	-	195,375
Swimming pool	642,346	-	642,346
Tourism	150,167	-	150,167
Street and alley	8,818	-	8,818
Juvenile programs	20,730	-	20,730
Snyder trust	36,173	-	36,173
Cemetery	6,233	-	6,233
Library	3,300	-	3,300
Capital projects	905,912	555,233	1,461,145
Debt service	-	179,140	179,140
Unrestricted	859,441	516,668	1,376,109
Total net position	<u>\$ 3,627,275</u>	<u>\$ 1,251,041</u>	<u>\$ 4,878,316</u>

See accompanying notes to the basic financial statements.

**TOWN OF HENNESSEY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2023

**Statement of Activities (Modified Cash Basis)– Year Ended June 30,**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 302,624	\$ 12,113	\$ -	\$ -	\$ (290,511)	\$ -	\$ (290,511)
Public Safety	912,714	153,075	17,157	-	(742,482)	-	(742,482)
Streets	564,985	-	19,285	153,415	(392,285)	-	(392,285)
Culture and Recreation	370,246	101,155	3,689	-	(265,402)	-	(265,402)
Cemetery	2,097	9,301	-	-	7,204	-	7,204
Total governmental activities	<u>2,152,666</u>	<u>275,644</u>	<u>40,131</u>	<u>153,415</u>	<u>(1,683,476)</u>	<u>-</u>	<u>(1,683,476)</u>
Business-Type Activities:							
Water	1,180,258	737,715	143,927	-	-	(298,616)	(298,616)
Wastewater	537,277	361,030	-	-	-	(176,247)	(176,247)
Sanitation	410,615	432,819	-	-	-	22,204	22,204
Public Works	191,483	-	-	-	-	(191,483)	(191,483)
Total business-type activities	<u>2,319,633</u>	<u>1,531,564</u>	<u>143,927</u>	<u>-</u>	<u>-</u>	<u>(644,142)</u>	<u>(644,142)</u>
Total primary government	<u>\$ 4,472,299</u>	<u>\$ 1,807,208</u>	<u>\$ 184,058</u>	<u>\$ 153,415</u>	<u>(1,683,476)</u>	<u>(644,142)</u>	<u>(2,327,618)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					1,682,676	-	1,682,676
Franchise taxes and public service taxes					104,185	-	104,185
Hotel/motel taxes					25,245	-	25,245
Intergovernmental revenue not restricted to specific programs					250,583	-	250,583
Unrestricted investment earnings					7,584	22,735	30,319
Miscellaneous					148,886	16,273	165,159
Transfers					(190,228)	190,228	-
Total general revenues					<u>2,028,931</u>	<u>229,236</u>	<u>2,258,167</u>
Change in net position					345,455	(414,906)	(69,451)
Net position - beginning					3,281,820	1,665,947	4,947,767
Net position - ending					<u>\$ 3,627,275</u>	<u>\$ 1,251,041</u>	<u>\$ 4,878,316</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30,**

	<b>General Fund</b>	<b>Restricted Sales Tax Fund</b>	<b>Cemetery Care Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 133,409	\$ 690,527	\$ -	\$ 23,970	\$ 847,906
Investments	755,492	1,786,219	71,117	78,392	2,691,220
Due from other funds	-	215,834	-	-	215,834
Total assets	<u>\$ 888,901</u>	<u>\$ 2,692,580</u>	<u>\$ 71,117</u>	<u>\$ 102,362</u>	<u>\$ 3,754,960</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ 101,680	\$ -	\$ 8,784	\$ 17,221	\$ 127,685
Total liabilities	<u>101,680</u>	<u>-</u>	<u>8,784</u>	<u>17,221</u>	<u>127,685</u>
Fund balances:					
Restricted	-	2,692,580	62,333	69,021	2,823,934
Assigned	12,766	-	-	16,120	28,886
Unassigned	774,455	-	-	-	774,455
Total fund balances	<u>787,221</u>	<u>2,692,580</u>	<u>62,333</u>	<u>85,141</u>	<u>3,627,275</u>
Total liabilities and fund balances	<u>\$ 888,901</u>	<u>\$ 2,692,580</u>	<u>\$ 71,117</u>	<u>\$ 102,362</u>	<u>\$ 3,754,960</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**  
**(Modified Cash Basis) – Year Ended June 30,**

	<b>General Fund</b>	<b>Restricted Sales Tax Fund</b>	<b>Cemetery Care Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$ 945,523	\$ 866,583	\$ -	\$ -	\$ 1,812,106
Intergovernmental	71,770	349,385	-	22,974	444,129
Licenses and permits	12,113	-	-	-	12,113
Charges for services	109,293	-	1,163	-	110,456
Fees and fines	153,075	-	-	-	153,075
Investment earnings	1,967	5,265	162	190	7,584
Miscellaneous	141,918	1,750	-	5,218	148,886
Total revenues	<u>1,435,659</u>	<u>1,222,983</u>	<u>1,325</u>	<u>28,382</u>	<u>2,688,349</u>
<b>EXPENDITURES</b>					
Current:					
General government	274,234	-	-	-	274,234
Public safety	640,409	215,338	-	-	855,747
Highways and streets	219,361	10,560	-	34,245	264,166
Culture and recreation	294,538	-	-	7,709	302,247
Economic development	-	57,342	-	-	57,342
Cemetery	2,097	-	-	-	2,097
Capital outlay	-	396,833	-	-	396,833
Total expenditures	<u>1,430,639</u>	<u>680,073</u>	<u>-</u>	<u>41,954</u>	<u>2,152,666</u>
Excess (deficiency) of revenues over expenditures	<u>5,020</u>	<u>542,910</u>	<u>1,325</u>	<u>(13,572)</u>	<u>535,683</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	-	(190,228)	-	-	(190,228)
Total other financing sources and uses	<u>-</u>	<u>(190,228)</u>	<u>-</u>	<u>-</u>	<u>(190,228)</u>
Net change in fund balances	5,020	352,682	1,325	(13,572)	345,455
Fund balances - beginning	782,201	2,339,898	61,008	98,713	3,281,820
Fund balances - ending	<u>\$ 787,221</u>	<u>\$ 2,692,580</u>	<u>\$ 62,333</u>	<u>\$ 85,141</u>	<u>\$ 3,627,275</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND**

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**Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30,**

	<b>Hennessey Utilities Authority <u>Enterprise Fund</u></b>
<b>ASSETS</b>	
Current assets:	
Investments	\$ 604,817
Restricted:	
Cash and cash equivalents	664,914
Investments	<u>147,120</u>
Total assets	<u>1,416,851</u>
<b>LIABILITIES</b>	
Current liabilities:	
Due to other funds	\$ 88,149
Deposits subject to refund	<u>77,661</u>
Total liabilities	<u>165,810</u>
<b>NET POSITION</b>	
Restricted for debt service	179,140
Restricted for capital projects	555,233
Unrestricted	<u>516,668</u>
Total net position	<u>\$ 1,251,041</u>

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30,**

	<b>Hennessey Utilities Authority Enterprise Fund</b>
<b>REVENUES</b>	
Water	\$ 712,367
Sewer	361,030
Sanitation	432,819
Penalties	20,693
Reconnect fees	4,655
Total operating revenues	<u>1,531,564</u>
<b>OPERATING EXPENSES</b>	
General government	129,908
Water	395,395
Wastewater	150,769
Sanitation	371,642
Total operating expenses	<u>1,047,714</u>
Operating income	<u>483,850</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	22,735
Miscellaneous income	16,273
Debt service:	
Principal	(259,917)
Interest and trustee fees	(119,298)
Capital outlay	(892,704)
Total non-operating revenue (expenses)	<u>(1,232,911)</u>
Income (loss) before contributions and transfers	(749,061)
Capital contributions -grant	143,927
Transfers in	190,228
Change in net position	(414,906)
Total net position - beginning	1,665,947
Total net position - ending	<u>\$ 1,251,041</u>

See accompanying notes to the basic financial statements.



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**Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30,**

	<b>Hennessey Utilities Authority Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,531,564
Payments to suppliers and employees	(1,047,714)
Receipts of customer meter deposits	25,079
Refunds of customer meter deposits	(13,179)
Interfund receipts/payments	88,149
Other receipts	16,273
<b>Net cash provided by operating activities</b>	<u>600,172</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	190,228
<b>Net cash provided by noncapital financing activities</b>	<u>190,228</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital outlay	(892,704)
Capital grant proceeds received	143,927
Principal paid on debt	(259,917)
Interest and fiscal agent fees paid on debt	(119,298)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(1,127,992)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(1,940)
Interest and dividends	22,735
<b>Net cash provided by investing activities</b>	<u>20,795</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(316,797)
<b>Balances - beginning of year</b>	<u>981,711</u>
<b>Balances - end of year</b>	<u>\$ 664,914</u>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ -
Restricted cash and cash equivalents - current	664,914
Total cash and cash equivalents, end of year	<u>\$ 664,914</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 483,850
Adjustments to reconcile operating income to net cash provided by operating activities:	
Miscellaneous income	16,273
Change in assets and liabilities:	
Interfund receipts (payments)	88,149
Deposits subject to refund	11,900
<b>Net cash provided by operating activities</b>	<u>\$ 600,172</u>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

## **1. Summary of Significant Accounting Policies**

### **A. Financial Reporting Entity**

The Town's financial reporting entity includes two separate legal entities reported as the primary government.

- **The Town of Hennessey** – that operates the public safety, cemetery, streets and public works, health and welfare, culture and recreation, and administrative activities
- **The Hennessey Utilities Authority** – that operates the water, sewer, and sanitation services of the Town through a public trust of which the Town is the beneficiary. The Town Board serves as trustees for the Authority and all debt obligations of the Authority must be approved by 2/3rds vote of the Town Board.

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by Statement 61, and includes all component units for which the Town is financially accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town Board to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the Town has leased certain existing assets at the creation of the Authority to the Trustees on a long-term basis. The Town, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

The component unit (Authority) has the Town Board as their governing body (trustees) and the Town is able to impose its will on the Authority through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trust must be approved by two-thirds vote of the Town Board. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the Town's financial reporting entity. The public trust does not issue separate financial statements

### **B. Basis of Presentation and Accounting**

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

The statements of net position and activities are reported on a modified cash basis of accounting. 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 only the following balances arising from cash transactions:

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- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and 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 accrued expenses and liabilities) are not recorded in these financial statements. In addition, capital assets and long-term debt activity is not reported in the statement of net position.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the Town's taxpayers. The Town has the following program revenues in each activity:

- General government: License and permits, rents and royalties and fire subscriptions
- Public safety: Fine revenue and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes

Business-type activities are also reported on a modified cash basis.

*Governmental Funds:*

The Town's governmental funds are comprised of the following:

**Major Funds:**

- General Fund - accounts for all activities not accounted for in other special-purpose funds. For financial reporting purposes it also includes the CDBG grant account and the rural fire account.
- Restricted Sales Tax Fund - accounts for certain sales tax revenue legally restricted for street improvements, capital outlay, ambulance and ARPA revenue
- Cemetery Care Fund - accounts for 12.5 percent of cemetery revenue restricted by State law for cemetery capital improvements.

**Non-Major Funds (Reported as Other Governmental Funds):**

**Special Revenue Funds:**

- Street and Alley Fund - accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
- Library Fund - accounts for all library revenue retained for library use only.
- Juvenile Fund - accounts for fine and forfeiture revenue collected from juveniles retained for use in juvenile programs.
- Snyder Trust Fund - accounts for donations and interest income restricted by a will for the purpose of developing and maintaining a library and museum. Revenues can also be used to support senior citizen activities and 89er activities.

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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:*

The Town's proprietary fund is the Hennessey Utility Authority (HUA) Enterprise Fund, which is further comprised of the following accounts:

- Hennessey Utilities Authority Operating Account (HUA) – accounts for the operation of the water, wastewater, and sanitation activities.
- Oklahoma Water Resources Board (OWRB) Loan Account – accounts for the debt service activity of the OWRB loan.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

All of the above noted governmental funds are legally required to adopt annual budgets or appropriations. The public trust (or Authority) is not required to adopt legal annual appropriations. While the trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

**D. 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. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 9.

**E. Fund Balances and Net Position**

*Fund Balances:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. The Town’s highest level of decision-making authority is made by ordinance.
- d. *Assigned* – includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by town board action or management decision when the town board has delegated that authority. Assignment for transfers and interest income for governmental funds are made through budgetary process.
- e. *Unassigned* – 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.

It is the Town’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The Town’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

*Net Position:*

Net position is displayed in two components:

- a. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted net position* - All remaining net position that does not meet the definition of “restricted”.

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

**F. Internal and Interfund Balances and Transfers**

The Town’s policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

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## 2. Deposits and Investments

For the year ended June 30, , the Town recognized \$30,319 of investment income.

At June 30, , the primary government held the following deposits and investments:

Type	Carrying Value
<b>Deposits:</b>	
Petty cash	\$ 370
Demand deposits	847,536
Time deposits	<u>3,443,157</u>
	4,291,063
Cash and Cash Equivalents:	
Federated Hermes Gov Oblig Tax-Managed Money Market	<u>664,914</u>
<b>Total Deposits and Investments</b>	<u><u>\$ 4,955,977</u></u>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 1,512,820
Investments	<u>3,443,157</u>
	<u><u>\$ 4,955,977</u></u>

*Custody Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The Town is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, , the Town was not exposed to custodial credit risk as defined above.

*Investment Interest Rate Risk* - the Town 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 Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the Town's public trust.

As of June 30, , the Town did not hold any securities with credit ratings since they are all non-negotiable time deposits.

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*Concentration of Investment Credit Risk* - the Town places no limit on the amount it may invest in any one issuer.

*Restricted Cash and Investments* – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for debt service, capital projects or meter deposits. The restricted assets as of June 30, are as follows:

	Cash and cash equivalents	Investments
Meter Deposit	\$ -	\$ 77,661
OWRB Debt Service	38,880	69,459
Debt Service	70,801	-
Capital Projects	555,233	-
Total	<u>\$ 664,914</u>	<u>\$ 147,120</u>

### 3. Fund Balances and Net Position

The following tables show the fund balance and net position classifications as shown in the Governmental Funds Balance Sheet and Proprietary Fund Statement of Net Position:

	General Fund	Restricted Sales Tax Fund	Cemetery Care Fund	Other Governmental Funds	Total
Fund Balance:					
Restricted for:					
Emergency Services Sales Tax	\$ -	\$ 798,780	\$ -	\$ -	\$ 798,780
Street Improvements Sales Tax	-	195,375	-	-	195,375
Swimming Pool	-	642,346	-	-	642,346
Capital Outlay	-	905,912	-	-	905,912
Tourism	-	150,167	-	-	150,167
Street and Alley Purposes	-	-	-	8,818	8,818
Juvenile Programs	-	-	-	20,730	20,730
Snyder Trust Fund Purposes	-	-	-	36,173	36,173
Library	-	-	-	3,300	3,300
Cemetery Care	-	-	62,333	-	62,333
Sub-total Restricted	-	<u>2,692,580</u>	<u>62,333</u>	<u>69,021</u>	<u>2,823,934</u>
Assigned For:					
CDBG projects	143	-	-	-	143
Library Operations and Capital	-	-	-	16,120	16,120
Rural Fire	12,623	-	-	-	12,623
Sub-total Assigned	<u>12,766</u>	<u>-</u>	<u>-</u>	<u>16,120</u>	<u>28,886</u>
Unassigned	774,455	-	-	-	774,455
Total Fund Balance	<u>\$ 787,221</u>	<u>\$ 2,692,580</u>	<u>\$ 62,333</u>	<u>\$ 85,141</u>	<u>\$ 3,627,275</u>
Enterprise Fund:					
Restricted for Debt Service	\$ 179,140				
Restricted for Capital Projects	555,233				
Total Restricted	<u>\$ 734,373</u>				



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**Restricted Net Position – Governmental Activities:**

At June 30, 2022, \$2,767,834 net position was restricted by enabling legislation.

**4. Restricted Revenue**

*Sales Tax Revenue*

Sales tax revenue represents a 4 cent local tax on each dollar of taxable sales within the Town, of which 2 cents is voter restricted and 2 cents are received and recorded in the General Fund. Two cents are recorded in the Restricted Sales Tax Fund, of which 3/4 cent is restricted for ambulance and emergency medical services, 1/4 cent for swimming pool construction, 1/4 cent is restricted for street improvements and 1/4 cent is restricted for capital outlay per Ordinance #307 passed by voters effective January 2004 and repurposed for the swimming pool construction effective January 1, 2019. Another 1/2 cent is restricted for the construction of a new swimming pool per Ordinance #371 passed by voters effective January 1, 2019.

*Hotel Tax*

Hotel tax restricted for tourism was passed by Ordinance 342 effective August 9, 2012.

**5. Property Tax Levy**

The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the Town.

**6. Internal and Interfund Balances and Transfers**

*Internal Balances:*

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Cemetery Care Fund	Restricted Sales Tax Fund	\$ 8,784	Interfund balance for negative cash
Street and Alley Fund	Restricted Sales Tax Fund	17,221	Interfund balance for negative cash
Hennessey Utilities Authority Fund	Restricted Sales Tax Fund	88,149	Interfund balance for negative cash
General Fund - CDBG Account	Restricted Sales Tax Fund	101,680	Interfund balance for expenditures paid by other fund
Total		<u>\$ 215,834</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 215,834	\$ (127,685)	\$ 88,149
Proprietary Funds	-	(88,149)	(88,149)
Total	<u>\$ 215,834</u>	<u>\$ (215,834)</u>	<u>\$ -</u>

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*Transfers:*

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
Restricted Sales Tax Fund	HUA Fund	\$ 190,228	Debt service payments
Total		<u>\$ 190,228</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ -	\$ (190,228)	\$ (190,228)
Proprietary Funds	190,228	-	190,228
	<u>\$ 190,228</u>	<u>\$ (190,228)</u>	<u>\$ -</u>

**Reconciliation to Statement of Activities:**

Net governmental funds	<u>\$ (190,228)</u>
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## 7. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The Town manages these various risks of loss by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

## 8. Pension Plan Participation

The Town of Hennessey participates in three pension retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – Statewide Cost-Sharing Plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – Statewide Cost-Sharing Plan
3. Oklahoma Municipal Retirement Fund (OkMRF) – Defined Contribution Plan

*OFPRS:*

Plan Summary Information – The Town of Hennessey, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ full-time or volunteer firefighters. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

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*Funding Policy.* OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The Town is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2021	\$1,020	\$1,020
2022	\$1,020	\$1,020
2023	\$900	\$900

*OPPRS:*

*Plan Summary Information* – The Town of Hennessey, as the employer, began participating in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS) in March 2022. Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS)

*Contributions* – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statutes and are not based on actuarial calculations. Employees are required to contribute 8% of their annual pay. Participating cities are required to contribute 13% of the employees’ annual pay. Contributions to the pension plan from the Town were \$19,719.

*Defined Contribution Plan - OkMRF*

The Town has provided effective May 1, 2000, a defined contribution plan and trust known as the Town of Hennessey Plan and Trust (the “Plan”) in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan (OkMRF). OkMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by JP Morgan Chase of Oklahoma City. The OkMRF Plan issues a separate financial report that may be obtained from OkMRF. The defined contribution plan is available to all full-time employees. According to the Plan, the maximum combined contribution is 25% of the employee’s gross wages. The Town, as employer, contributes an amount equal to 2% of the employee’s gross wages toward the maximum of 25%. If an employee terminates before coming fully vested, the employer’s contributions are forfeited and may be used to reduce the Town’s current period contribution requirements. The authority to establish and amend the provisions of the Plan rests with the Town Board of Trustees. For the year ended June 30, 2023, the required contributions to be made was \$17,942 for the employer portion and employees’ contributed \$16,036.

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**9. Commitments and Contingencies**

*Long-term Debt Commitments:*

*Governmental activities* had no long-term debt payable from taxes and other general revenues for June 30, .

*Business-type activities* long-term debt payable from net revenues generated by the utility resources pledged to the debt include the following:

Notes Payable (Direct Borrowings):

Note payable to Oklahoma Water Resources Board, original amount of \$1,800,000, payable in semi-annual installments, including principal and interest at 2.040%, final payment due September 15, 2033. \$1,338,138

Sales Tax Revenue Note, Series 2021 payable to BancFirst, original amount of \$1,104,000, payable in semi-annual installments, including principal and interest at 2.25%, final payment due October 1, 2036. 1,009,000

Sales Tax Revenue Note, Series 2018 payable to BancFirst, original amount of \$2,089,000, payable in semi-annual installments, including principal and interest at 3.80%, final payment due October 1, 2033. 1,624,000

Total Notes Payable (Direct Borrowings) \$3,971,138

Current portion	\$ 313,700
Non-current portion	<u>3,657,438</u>
Total Notes Payable	<u>\$3,971,138</u>

In the event of default for the above direct borrowings, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the notes; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action of inaction of the borrower under the provisions of the debt agreements.

*Change in Long-term Debt Commitments:*

<u>Type of Debt</u>	<u>Balance Due July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Due June 30, 2023</u>	<u>Amount Due Within One Year</u>
Business-Type Activities:					
Notes Payable (Direct Borrowing)	\$ 4,231,055	\$ -	\$ 259,917	\$ 3,971,138	\$ 313,700
Total Business-Type Activities	<u>\$ 4,231,055</u>	<u>\$ -</u>	<u>\$ 259,917</u>	<u>\$ 3,971,138</u>	<u>\$ 313,700</u>

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*Debt Service Requirements to Maturity:*

<u>Year Ending June 30,</u>	<u>Business Type Activities</u>	
	<u>Notes Payable (Direct Borrowings)</u>	
	<u>Principal</u>	<u>Interest</u>
2024	313,700	109,992
2025	323,286	101,015
2026	331,849	91,826
2027	343,465	82,367
2028	349,089	72,617
2029-2033	1,914,706	204,830
2034-2037	395,043	15,161
Totals	<u>\$ 3,971,138</u>	<u>\$ 677,808</u>

*Utility Net Revenues Pledge:*

The City has pledged future water and sewer net utility revenues to repay the OWRB series note payable of \$1,800,000. Proceeds from the note were for financing the reverse osmosis treatment system and for wastewater system improvements. The note is payable from pledged water and sewer utility revenues of the HUA and are payable through 2034. The total principal and interest payable for the remainder of the life of this note is \$1,488,533. Pledged water and sewer utility net revenues for the current year were \$575,316. Debt service payments in the current year totaled \$100,955 and were 17.5% of pledged revenues.

*Utility Gross Revenues and Sales Tax Revenues Pledge:*

The City has pledged future water and sewer gross utility revenues along with future 1 cent sales tax to repay the 2021 Series Utility System Revenue Note of \$1,104,000. Proceeds from the note were for financing certain water system improvements, including acquisition, construction and installation of a reverse osmosis and related appurtenances and related costs; refinance the outstanding amount of Series 2017 Utility System Revenue Note. The note is payable from pledged water, sewer and sanitation utility revenues of the HUA and are payable through 2037. The total principal and interest payable for the remainder of the life of this note is \$1,175,680. Pledged water, sewer and sanitation utility gross revenues for the current year were \$1,554,299. Debt service payments in the current year totaled \$87,783 and were 5.6% of pledged revenues. Pledged sales tax revenues for the current year were \$345,892 with debt service payments \$87,783 and were 25.4% of pledged sales tax.

*Sales Tax Revenues Pledge:*

The City has pledged future 1 cent Sales Tax revenues to repay the 2018 Series Sales Tax Revenue Note of \$2,089,000. Proceeds from the note are for financing swimming pool construction. The note is payable from pledged sales tax revenues payable through 2034. The total principal and interest payable for the remainder of the life of this note is \$1,984,734. Pledged sales tax revenues for the current year were \$345,892. Debt service payments in the current year totaled \$189,265 and were 54.7% of pledged revenues.

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*Compensated Absences:*

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, , is summarized as follows:

- General Fund – Vacation leave \$15,054
- HUA – Vacation leave \$5,344

*Litigation:*

The Town is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. These statutory provisions do not apply to the Town's public trust Authority. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

*Federal and State Award Programs:*

The Town of Hennessey participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The Town has not been notified of any noncompliance with federal or state award requirements. Any liability or reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

*State Audit:*

The Town has also received in 2023 notice of a forensic audit conducted by the State Auditor and Inspector's office, upon the request of the District Attorney's Office in Enid, OK. The Town maintains internal compliance programs and is fully cooperating with the audit. The outcome or liability, if any, related to this investigation cannot be fully determined or reasonably estimated at this time.

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**SUPPLEMENTARY AND OTHER INFORMATION**

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**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30,**

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Beginning Budgetary Fund Balance:	\$750,000	\$750,000	769,497	\$19,497
Resources (Inflows):				
Taxes	877,647	943,147	945,523	2,376
Intergovernmental	71,000	71,000	71,770	770
Charges for services	70,100	95,200	109,293	14,093
Fines and Forfeitures	120,000	120,000	153,075	33,075
Licenses and Permits	10,713	10,713	12,113	1,400
Investment Income	1,600	1,600	1,905	305
Miscellaneous	72,100	113,600	141,918	28,318
Transfer In	50,000	50,000	-	(50,000)
Total Resources (Inflows)	1,273,160	1,405,260	1,435,597	30,337
Amounts available for appropriation	2,023,160	2,155,260	2,205,094	49,834
Charges to Appropriations (Outflows):				
Managerial	5,613	5,613	5,438	175
Administration	122,237	122,237	96,339	25,898
Town Clerk	5,180	5,280	5,237	43
Town Treasurer	4,385	4,885	4,831	54
Municipal Judge	7,123	7,123	7,091	32
Police	536,992	568,692	562,928	5,764
Fire	66,264	72,764	70,390	2,374
Streets	245,665	250,665	219,361	31,304
Parks	94,460	117,460	115,198	2,262
Swimming Pool	71,536	92,036	91,115	921
General Government	112,000	168,100	162,389	5,711
Library	98,974	103,974	88,225	15,749
Cemetery	2,070	2,170	2,097	73
Total Charges to Appropriations	1,372,499	1,520,999	1,430,639	90,360
Ending Budgetary Fund Balance	\$650,661	\$634,261	\$774,455	\$140,194



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**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, (Continued)**

	RESTRICTED SALES TAX FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$2,300,000	\$2,300,000	\$2,339,898	\$39,898
<b>Resources (Inflows):</b>				
Taxes	690,000	690,000	866,583	176,583
Intergovernmental	10,000	10,000	249,385	239,385
Investment income	7,800	7,800	5,265	(2,535)
Miscellaneous	-	-	1,750	1,750
Transfers from other funds	300,000	300,000	100,000	(200,000)
<b>Total Resources (Inflows)</b>	<u>1,007,800</u>	<u>1,007,800</u>	<u>1,222,983</u>	<u>215,183</u>
<b>Amounts available for appropriation</b>	<u>3,307,800</u>	<u>3,307,800</u>	<u>3,562,881</u>	<u>255,081</u>
<b>Charges to appropriations (outflows):</b>				
Police	61,000	62,000	61,892	108
Fire	65,000	65,000	925	64,075
EMS	203,620	209,620	209,488	132
Streets	510,000	518,200	311,379	206,821
Parks	19,000	12,000	-	12,000
Swimming Pool	235,875	235,875	191,472	44,403
General Government	13,000	28,400	28,390	10
Tourism	40,000	48,000	57,342	(9,342)
Library	6,000	11,400	9,413	1,987
<b>Total Charges to Appropriations</b>	<u>1,153,495</u>	<u>1,190,495</u>	<u>870,301</u>	<u>320,194</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$2,154,305</u>	<u>\$2,117,305</u>	<u>\$2,692,580</u>	<u>\$575,275</u>

**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require Town Board approval.
3. The General fund budgetary comparison does not include the other combined accounts; see the schedule for combining General fund accounts on page 40 for comparison.

*Budgetary Noncompliance:*

The following departments had excess expenditures over available appropriations:

Restricted Sales Tax Fund – Tourism	\$9,342
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**NonMajor Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30,**

	Special Revenue Funds				Total Governmental Funds
	Street and Alley Fund	Library Fund	Juvenile Fund	Snyder Trust Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 19,420	\$ 4,550	\$ -	\$ 23,970
Investments	26,039	-	16,180	36,173	78,392
Total assets	<u>\$ 26,039</u>	<u>\$ 19,420</u>	<u>\$ 20,730</u>	<u>\$ 36,173</u>	<u>\$ 102,362</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ 17,221	\$ -	\$ -	\$ -	\$ 17,221
Total liabilities	<u>17,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,221</u>
Fund balances:					
Restricted	8,818	3,300	20,730	36,173	69,021
Assigned	-	16,120	-	-	16,120
Total fund balances	<u>8,818</u>	<u>19,420</u>	<u>20,730</u>	<u>36,173</u>	<u>85,141</u>
Total liabilities and fund balances	<u>\$ 26,039</u>	<u>\$ 19,420</u>	<u>\$ 20,730</u>	<u>\$ 36,173</u>	<u>\$ 102,362</u>

**NonMajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30,**

	Special Revenue Funds				Total Governmental Funds
	Street and Alley Fund	Library Fund	Juvenile Fund	Snyder Trust Fund	
<b>REVENUES</b>					
Intergovernmental	\$ 19,285	\$ 3,689	\$ -	\$ -	\$ 22,974
Investment income	65	35	-	90	190
Miscellaneous	-	5,218	-	-	5,218
Total revenues	<u>19,350</u>	<u>8,942</u>	<u>-</u>	<u>90</u>	<u>28,382</u>
<b>EXPENDITURES</b>					
Current:					
Streets	34,245	-	-	-	34,245
Library	-	7,709	-	-	7,709
Total Expenditures	<u>34,245</u>	<u>7,709</u>	<u>-</u>	<u>-</u>	<u>41,954</u>
Excess (deficiency) of revenues over expenditures	<u>(14,895)</u>	<u>1,233</u>	<u>-</u>	<u>90</u>	<u>(13,572)</u>
Net change in fund balances	(14,895)	1,233	-	90	(13,572)
Fund balances - beginning	23,713	18,187	20,730	36,083	98,713
Fund balances - ending	<u>\$ 8,818</u>	<u>\$ 19,420</u>	<u>\$ 20,730</u>	<u>\$ 36,173</u>	<u>\$ 85,141</u>

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**Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30,**

	<u>General Fund</u>	<u>CDBG Grant Account</u>	<u>Rural Fire Account</u>	<u>Total General Fund</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 30,582	\$ 101,823	\$ 1,004	\$ 133,409
Investments	743,873	-	11,619	755,492
Total assets	<u>\$ 774,455</u>	<u>\$ 101,823</u>	<u>\$ 12,623</u>	<u>\$ 888,901</u>
<b>FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ -	\$ 101,680	\$ -	\$ 101,680
Total liabilities	<u>-</u>	<u>101,680</u>	<u>-</u>	<u>101,680</u>
<b>FUND BALANCES</b>				
Assigned	-	143	12,623	12,766
Unassigned	774,455	-	-	774,455
Total fund balances	<u>774,455</u>	<u>143</u>	<u>12,623</u>	<u>787,221</u>
Total fund balances	<u>\$ 774,455</u>	<u>\$ 101,823</u>	<u>\$ 12,623</u>	<u>\$ 888,901</u>

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30,**

	<u>General Fund</u>	<u>CDBG Grant Account</u>	<u>Rural Fire Account</u>	<u>Total General Fund</u>
<b>REVENUES</b>				
Taxes	\$ 945,523	\$ -	\$ -	\$ 945,523
Fees and fines	153,075	-	-	153,075
Licenses and permits	12,113	-	-	12,113
Intergovernmental	71,770	-	-	71,770
Charges for services	109,293	-	-	109,293
Investment income	1,905	34	28	1,967
Miscellaneous	141,918	-	-	141,918
Total revenues	<u>1,435,597</u>	<u>34</u>	<u>28</u>	<u>1,435,659</u>
<b>EXPENDITURES</b>				
Current:				
General government	274,234	-	-	274,234
Public Safety	640,409	-	-	640,409
Streets	219,361	-	-	219,361
Library	294,538	-	-	294,538
Cemetery	2,097	-	-	2,097
Total Expenditures	<u>1,430,639</u>	<u>-</u>	<u>-</u>	<u>1,430,639</u>
Excess (deficiency) of revenues over expenditures	<u>4,958</u>	<u>34</u>	<u>28</u>	<u>5,020</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	4,958	34	28	5,020
Fund balances - beginning	769,497	109	12,595	782,201
Fund balances - ending	<u>\$ 774,455</u>	<u>\$ 143</u>	<u>\$ 12,623</u>	<u>\$ 787,221</u>

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**HUA Enterprise Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) – June 30,**

	<b>Enterprise Fund Accounts</b>		
	<b>HUA Operating</b>	<b>OWRB Loan Account</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Investments	\$ 604,817	\$ -	\$ 604,817
Restricted:			
Cash and cash equivalents	664,914	-	664,914
Investments	77,661	69,459	147,120
Total assets	<u>1,347,392</u>	<u>69,459</u>	<u>1,416,851</u>
<b>LIABILITIES</b>			
Current liabilities:			
Due to other funds	\$ 88,149	\$ -	\$ 88,149
Deposits subject to refund	77,661	-	77,661
Total liabilities	<u>165,810</u>	<u>-</u>	<u>165,810</u>
<b>NET POSITION</b>			
Restricted for debt service	109,681	69,459	179,140
Restricted for capital projects	555,233	-	555,233
Unrestricted	516,668	-	516,668
Total net position	<u>\$ 1,181,582</u>	<u>\$ 69,459</u>	<u>\$ 1,251,041</u>

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**HUA Enterprise Fund Accounts Combining Schedule of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30,**

	<b><u>HUA Operating</u></b>	<b><u>OWRB Loan Account</u></b>	<b><u>Total</u></b>
<b>REVENUES</b>			
Charges for services:			
Water	\$ 712,367	\$ -	\$ 712,367
Sewer	361,030	-	361,030
Sanitation	432,819	-	432,819
Penalties	20,693	-	20,693
Reconnect fees	4,655	-	4,655
Total operating revenues	<u>1,531,564</u>	<u>-</u>	<u>1,531,564</u>
<b>OPERATING EXPENSES</b>			
General government	129,908	-	129,908
Water	395,395	-	395,395
Wastewater	150,769	-	150,769
Sanitation	371,642	-	371,642
Total operating expenses	<u>1,047,714</u>	<u>-</u>	<u>1,047,714</u>
Operating income	<u>483,850</u>	<u>-</u>	<u>483,850</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	22,562	173	22,735
Miscellaneous revenue	16,273	-	16,273
Debt Service:			
Principal	(259,917)	-	(259,917)
Interest and trustee fees	(119,298)	-	(119,298)
Capital Outlay	(892,704)	-	(892,704)
Total non-operating revenue (expenses)	<u>(1,233,084)</u>	<u>173</u>	<u>(1,232,911)</u>
Income (loss) before contributions and transfers	<u>(749,234)</u>	<u>173</u>	<u>(749,061)</u>
Capital contributions - grant	143,927	-	143,927
Transfers in	190,228	-	190,228
Change in net position	(415,079)	173	(414,906)
Total net position - beginning	<u>1,596,661</u>	<u>69,286</u>	<u>1,665,947</u>
Total net position - ending	<u>\$ 1,181,582</u>	<u>\$ 69,459</u>	<u>\$ 1,251,041</u>

**TOWN OF HENNESSEY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2023**

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**INTERNAL CONTROL AND COMPLIANCE**

**TOWN OF HENNESSEY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2023**

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

To the Honorable Mayor and City Council  
of the Town of Hennessey, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Hennessey, Oklahoma (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 31, 2024. Our report included an emphasis of matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of audit findings and responses as finding 2023-001 that we consider to be a significant deficiency.

**Report on Compliance and Other Matters**

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



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## Purpose of This Report

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

*Arledge & Associates PC*

Oklahoma City, Oklahoma  
August 8, 2024



**TOWN OF HENNESSEY, OKLAHOMA**  
**Schedule of Audit Findings and Responses**  
**As of and for the Year Ended June 30, 2023**

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**SUMMARY SCHEDULE OF AUDIT FINDINGS AND RESPONSE**

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

**A. Internal Control**

**Finding 2023-001 – Inadequate Record Retention**

**Criteria:** The Town of Hennessey should properly retain its records to support any expenditures, such as capital outlays throughout the year.

**Condition:** While conducting the capital outlay audit procedures, we noted one instance where the Town failed to retain documentation for a \$99,000 capital outlay. The check was cleared with no purchase requisitions, orders, or invoices retained on file.

**Cause and Effect:** This finding is caused by inadequate purchasing procedures and insufficient staff to develop effective internal controls for accurate and complete records. Which increases the risk of material errors, fraud, or non-compliance with laws and regulations, potentially resulting in the following:

- Inaccurate financial reporting which impacts decision making
- Increase the chances of fraudulent activity to occur
- Misuse of Town's assets

**Recommendation:** We recommend the Town implement a system to properly approve, record and account for expenditures on a regular basis along with reviewing and approving financial records. This system should consist of proper approval and retention of purchase requisitions, order, invoices and payment support.

**Management Response:** Fiscal year 2023 was a unique year and provided many challenges for the Town. The Town was short staffed for more than half of the year at Town hall and organization suffered. In current fiscal year, the Town is again at full staffing and began utilizing their imaging software to attach invoices in the accounts payable module. The anticipation is to expand on the use of the imaging software for other applications in the accounting system.

**B. Compliance Findings**

*There are no findings requiring reporting under this section.*

**TOWN OF HENNESSEY, OKLAHOMA**  
**Schedule of Audit Findings and Responses**  
**As of and for the Year Ended June 30, 2023**

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSE**

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

**A. Internal Control**

*There are no findings requiring reporting under this section.*

**B. Compliance Findings**

*There are no findings requiring reporting under this section.*