



City of
OKEMAH,
OKLAHOMA

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

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

**THE CITY OF OKEMAH,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL 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 Members of the City Council
City of Okemah, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying 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 Okemah, Oklahoma (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City'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, each major fund, and the aggregate remaining fund information of the City, 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 Opinions

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 City, 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.

HSPG & ASSOCIATES, PC

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 opinions. 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 City'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 City'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 Matters

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining schedules – modified cash basis, and federal and state awards information – modified cash basis, as listed in the table of contents, 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 schedules and federal and state awards information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 the City's internal control over financial reporting and compliance.

HSPG & Associates, P.C.

January 16, 2024

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MANAGEMENT DISCUSSION AND ANALYSIS

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The management of the City of Okemah is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities for the year ended June 30, 2023. Management of the City 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 City 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 analysis 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 City's total net position increased by \$709,673, and the assets of the City exceed its liabilities at June 30, 2023, by \$22.7 million (net position). Of this amount, \$3.1 million (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2023, the City's governmental funds reported combined ending fund balances on a modified cash basis of approximately \$3 million.
- At the end of fiscal year 2023, unassigned fund balance on a modified cash basis for the General Fund was \$312,659 or 14.9% of General Fund revenues.
- At the end of fiscal year 2023, unrestricted net position on a modified cash basis for the Okemah Utilities Authority was \$1,197,290 or 41.5% of OUA Fund revenues.

About the City

The City of Okemah is an incorporated municipality with a population of approximately 3,275 located in central Oklahoma. The City is a home rule charter form of government and operates under a charter that provides for three branches of government:

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

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and certain utility services including water, sewer, sanitation and economic development services.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Okemah City Council is fiscally responsible. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

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

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- **The City of Okemah** – that operates the public safety, cemetery, streets and public works, culture and recreation, and administrative activities of the City, with such activities reported in the General Fund and various other governmental funds.
- **The Okemah Utilities Authority (OUA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, sewer and sanitation services of the City. The City of Okemah is the beneficiary of the trust and the City Council serves as the governing body of the trust. The OUA is currently reported as an enterprise fund.
- **The Okemah Economic Development Authority (OEDA)** – public trust created pursuant to 60 O.S. § 176 to provide economic development opportunities, in or near the City, with the City Council members serving as the trustees. The OEDA is currently reported as an enterprise fund.

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City’s financial reporting entity. The public trusts do not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Okemah (the “City”), the Okemah Utilities Authority (the “Authority”) and the Okemah Economic Development Authority (OEDA). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type, along with fund financial statements for the City (governmental funds) and the OUA and OEDA (enterprise funds).

The government-wide financial statements present the complete financial picture of the City using the modified cash basis of accounting. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt), arising from cash transactions. They present governmental and business-type activities separately and combined. For governmental 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 City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City’s finances is, “Has the City’s overall financial condition improved, declined or remained steady over the past year?” The Statement of Net Position and the Statement of Activities report information about the City 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 City’s sales tax base, the condition of the City’s roads, the quality of service to assess the overall health of the City. 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 City assets and liabilities resulting from cash transactions.

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These two government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the difference between assets and liabilities– as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities -- The City typically charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, wastewater, and sanitation activities and economic development activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many 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 City's two kinds of funds – *governmental and proprietary* - use different accounting approaches.

Governmental funds -- Most of the City'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 that is different from other funds. 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 City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

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Proprietary funds – When the City, mainly through the Utilities Authority, charges customers for the services it provides, these services are generally reported in a type of proprietary fund known as an “enterprise fund”. The City’s proprietary-type enterprise funds are reported on the modified cash basis of accounting. For example, enterprise fund capital assets are capitalized and depreciated, while principal payments on long-term debt are recorded as a reduction to the liability. The City’s proprietary-type enterprise funds are the Okemah Utilities Authority that accounts for the operation of the water, sewer, and sanitation activities as well as the Okemah Economic Development Authority that accounts for economic development 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 30-48 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Management’s Discussion and Analysis, a Budgetary Comparison Schedule for the General Fund, combining financial statements and schedules and federal and state award schedules.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the primary government, on a modified cash basis, assets exceeded liabilities by \$22.7 million at the close of the most recent fiscal year.

NET POSITION - Modified Cash Basis (In Thousands)

	<u>Governmental Activities</u>		<u>% Inc. (Dec.)</u>	<u>Business-Type Activities</u>		<u>% Inc. (Dec.)</u>	<u>Total</u>		<u>% Inc. (Dec.)</u>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Current assets	\$ 3,020	\$ 2,430	24%	\$23,261	\$ 23,653	-2%	\$ 26,281	\$ 26,083	1%
Capital assets, net	6,885	7,242	-5%	13,937	13,509	3%	20,822	20,751	0%
Total assets	<u>9,905</u>	<u>9,672</u>	2%	<u>37,198</u>	<u>37,162</u>	0%	<u>47,103</u>	<u>46,834</u>	1%
Current liabilities	7	6	17%	274	456	-40%	281	462	-39%
Non-current liabilities	25	32	-22%	24,112	24,364	-1%	24,137	24,396	-1%
Total liabilities	<u>32</u>	<u>38</u>	-16%	<u>24,386</u>	<u>24,820</u>	-2%	<u>24,418</u>	<u>24,858</u>	-2%
Net position									
Net investment in capital assets	6,853	7,204	-5%	10,897	10,090	8%	17,750	17,294	3%
Restricted	1,399	1,105	27%	412	998	-59%	1,811	2,103	-14%
Unrestricted	1,621	1,325	22%	1,503	1,254	20%	3,124	2,579	21%
Total net position	<u>\$ 9,873</u>	<u>\$ 9,634</u>	2%	<u>\$12,812</u>	<u>\$ 12,342</u>	4%	<u>\$ 22,685</u>	<u>\$ 21,976</u>	3%

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The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. For 2023, this net investment in capital assets, amounted to \$17.7 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A major portion of the City's net position, \$1.8 million, also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is available to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for both the governmental and business-type activities.

Explanations for the changes in excess of 20% and \$100,000 are explained below:

Governmental Activities:

Current Assets (24% increase of \$590,000) – increase in cash and cash equivalents mainly due to Capital Improvement and ARPA Funds net income.

Restricted Net Position (27% increase of \$294,000) – increase due to increase in debt service, capital projects and library restricted net position

Unrestricted Net Position (22% increase of \$296,000) – mainly due to increase in revenues exceeding expenses

Business-Type Activities:

Non-current liabilities (40% decrease of \$182,000) – decrease mainly due to issuance of new debt in the prior year

Restricted Net Position (59% decrease of \$586,000) – decrease due to decrease in debt service restricted net position

Unrestricted Net Position (20% increase of \$249,000) – Mainly due to increase in revenues exceeding expenses

Changes in Net Position

For the year ended June 30, 2023, on the modified cash basis of accounting, net position of the primary government changed as follows:

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CHANGES IN NET POSITION - Modified Cash Basis (In Thousands)

	Governmental		% Inc.	Business-Type		% Inc.	Total		% Inc.
	Activities		(Dec.)	Activities		(Dec.)			(Dec.)
	2023	2022		2023	2022		2023	2022	
Revenues									
Charges for service	\$ 55	\$ 58	-5%	\$ 3,006	\$ 2,586	16%	\$ 3,061	\$ 2,644	16%
Operating grants and contributions	68	64	6%	40	37	8%	108	101	7%
Capital grants, debt proceeds and contributions	11	73	-85%	-	-	-	11	73	-85%
Taxes	1,638	1,707	-4%	-	-	-	1,638	1,707	-4%
Franchise taxes and public service taxes	111	97	14%	-	-	-	111	97	14%
Hotel/motel taxes	24	24	0%	-	-	-	24	24	0%
Intergovernmental revenue	458	360	27%	-	-	-	458	360	27%
Unrestricted investment earnings	54	1	5300%	701	4	17425%	755	5	15000%
Miscellaneous	98	171	-43%	146	9	1522%	244	180	36%
Total revenues	<u>2,517</u>	<u>2,555</u>	-1%	<u>3,893</u>	<u>2,636</u>	48%	<u>6,410</u>	<u>5,191</u>	23%
Expenses									
General government	368	387	-5%	-	-	-	368	387	-5%
Public safety	1,239	1,152	8%	-	-	-	1,239	1,152	8%
Streets	408	432	-6%	-	-	-	408	432	-6%
Cemetery	101	96	5%	-	-	-	101	96	5%
Culture and Recreation	221	187	18%	-	-	-	221	187	18%
Media Center	17	3	467%	-	-	-	17	-	100%
Economic development	-	-	-	195	212	-8%	195	212	-8%
Interest on long-term debt	2	2	0%	-	-	-	2	2	0%
Water	-	-	-	1,830	1,615	13%	1,830	1,615	13%
Sewer	-	-	-	700	710	-1%	700	710	-1%
Sanitation	-	-	-	620	377	64%	620	377	64%
Total expenses	<u>2,356</u>	<u>2,259</u>	4%	<u>3,345</u>	<u>2,914</u>	15%	<u>5,701</u>	<u>5,170</u>	10%
Excess (deficiency) before transfers and special item	161	296	-46%	548	(278)	-297%	709	21	3276%
Transfers	78	(205)	-138%	(78)	205	-138%	-	-	-
Change in net position	239	91	163%	470	(73)	-744%	709	18	3839%
Beginning net position	9,634	9,543	1%	12,342	12,415	-1%	21,976	21,958	0%
Ending net position	<u>\$ 9,873</u>	<u>\$ 9,634</u>	2%	<u>\$ 12,812</u>	<u>\$ 12,342</u>	4%	<u>\$ 22,685</u>	<u>\$ 21,976</u>	3%

Explanations are given for individual items in excess of 20% change and in excess of \$100,000 change as follows:

Governmental and Business-Type Activities:

Business-type activities unrestricted investment earnings increased 17,425% (or approximately (\$697,000) resulting mainly from interest earned on unspent 2022A OUA Revenue Bond proceeds. Miscellaneous revenues increased 1,522% (or approximately \$137,000) resulting mainly from proceeds from the sale of assets. Sanitation expenses changed 64% (or approximately \$243,000) resulting mainly from outsourcing disposal services in the current year.

Governmental Activities

The governmental activities, on the modified cash basis of accounting, had an increase in net position of \$239,547.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
	General government	\$ 368		\$ 387	-5%	
Public safety	1,239	1,152	8%	(1,176)	(1,094)	7%
Streets	408	432	-6%	(386)	(400)	-4%
Cemetery	101	96	5%	(88)	(76)	16%
Culture and Recreation	221	187	18%	(203)	(162)	25%
Media Center	17	3	467%	(17)	(3)	100%
Interest on long-term debt	2	2	0%	(2)	(2)	0%
Total	\$ 2,356	\$ 2,259	4%	(\$2,221)	(\$2,064)	8%

Business-type Activities

The business-type activities, on the modified cash basis of accounting, had an increase in net position of \$470,1267. In reviewing the departmental net (expense)/revenue, only wastewater utility activity charges for services in 2023 were sufficient to cover expenses.

**TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)**

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
	Water	\$ 1,830		\$ 1,615	13%	
Wastewater	700	710	-1%	88	67	31%
Sanitation	620	377	64%	(79)	(28)	182%
Economic Development	195	212	-8%	(35)	(55)	-36%
Total	\$ 3,345	\$ 2,914	15%	\$(299)	\$(291)	3%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2023 fiscal year, the governmental funds reported, on a modified cash basis of accounting, a combined fund balance of \$3 million or a 24.3% increase. The OUA and OEDA enterprise funds reported, on a modified cash basis of accounting, combined net position of \$12.8 million or a 3.8% increase from 2022.

Other fund highlights include:

- For the year ended June 30, 2023, the General Fund's total fund balance increased by \$54,588 or 10.3%.
- The Capital Improvement Fund increased its Fund Balance by \$238,716 or 18.7%.

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Budgetary Highlights

For the year ended June 30, 2023, the General Fund reported actual budgetary basis revenues over final estimates by \$351,238 or a 13.5% positive variance which was due mainly to tax revenues exceeding final estimates. General Fund actual expenditures were under final appropriations by \$404,133 or a 12.3% positive variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2023, the City had \$21 million invested in capital assets (net of depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and park facilities. This represents a net increase of approximately \$71,000 over last year.

	Capital Assets					
	(In Thousands)					
	(Net of accumulated depreciation)					
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 445	\$ 445	\$ 1,727	\$ 1,738	\$ 2,172	\$ 2,183
Buildings	1,057	1,063	4,847	4,965	5,904	6,028
Imp. other than buildings	982	1,050	2,365	2,410	3,347	3,460
Machinery, furniture and equipment	215	197	193	184	408	381
Infrastructure	3,815	4,116	-	-	3,815	4,116
Utility property	-	-	3,919	4,135	3,919	4,135
Construction in progress	371	371	886	77	1,257	448
Totals	<u>\$ 6,885</u>	<u>\$ 7,242</u>	<u>\$ 13,937</u>	<u>\$ 13,509</u>	<u>\$ 20,822</u>	<u>\$ 20,751</u>

This year's more significant capital asset additions include:

Police vehicle	\$30,525
Fire escape	30,210
Lake equipment and upgrades	53,675

See Note 3 to the financial statements for more detail information on the City's capital assets and changes therein.

Long- Term Debt

At year-end, the City had \$22.2 million in long-term debt outstanding which represents approximately a \$368,000 or 1.63% decrease from the prior year. This is the result of reducing debt with normal payments of \$368,559. The City's changes in long-term debt by type of debt are as follows:

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	Long-Term Debt (In Thousands)						Total Percentage Change
	Governmental Activities		Business-Type Activities		Total		
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	
Notes payable	\$ 32	\$ 38	\$ 22,166	\$ 22,528	\$ 22,198	\$ 22,566	-1.6%
Totals	<u>\$ 32</u>	<u>\$ 38</u>	<u>\$ 22,166</u>	<u>\$ 22,528</u>	<u>\$ 22,198</u>	<u>\$ 22,566</u>	-1.6%

See Note 5 to the financial statements for more detail information on the City’s long-term debt.

ECONOMIC FACTORS AND NEXT YEAR’S ESTIMATES

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

- The FY 2024 budget is consistent to prior years for operational expenses.
- Capital projects budgeted in FY2024 include Water Treatment Plant System Improvements (New Water Plant, Two New Water Towers, New Intake Water Tower, and New AMR Meters). Also included is the PWA Ash Street Drainage project.
- In November 2022, Green Environmental was hired for Sanitation Services in which the City bills for the services with an administration fee added of 7.2%.
- Beginning in January 2023, a utility rate adjustment increase of 7.75% was added for water and sewer.
- The Media Center opened in June 2023.

Contacting the City’s Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City’s finances and to demonstrate the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk’s office at 502 W. Broadway, Okemah, Oklahoma 74859-2400 or telephone at 918-623-1050.

**CITY OF OKEMAH, OKLAHOMA
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As of and for the Year Ended June 30, 2023**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Statement of Net Position (Modified Cash Basis)– June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,039,560	\$ 22,979,551	\$ 25,019,111
Investments	980,441	281,449	1,261,890
Capital Assets:			
Land and construction in progress	816,009	2,612,229	3,428,238
Other capital assets, net of depreciation	6,069,319	11,324,770	17,394,089
Total Assets	<u>9,905,329</u>	<u>37,197,999</u>	<u>47,103,328</u>
LIABILITIES			
Meter deposit liability	-	97,247	97,247
Long-term liabilities			
Due within one year	6,778	472,109	478,887
Due in more than one year	25,112	23,816,730	23,841,842
Total liabilities	<u>31,890</u>	<u>24,386,086</u>	<u>24,417,976</u>
NET POSITION			
Net investment in capital assets	6,853,438	10,897,118	17,750,556
Restricted for:			
Debt Service	200,140	412,195	612,335
Capital projects	1,001,631	-	1,001,631
Cemetery	185,435	-	185,435
Library	12,293	-	12,293
Unrestricted	1,620,502	1,502,600	3,123,102
Total net position	<u>\$ 9,873,439</u>	<u>\$ 12,811,913</u>	<u>\$ 22,685,352</u>

See accompanying notes to the basic financial statements.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Statement of Activities (Modified Cash Basis) –Year Ended June 30, 2023

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 367,837	\$ 18,879	\$ -	\$ -	\$ (348,958)	\$ -	\$ (348,958)
Public Safety	1,238,994	12,938	39,053	10,795	(1,176,208)	-	(1,176,208)
Streets	408,318	-	22,055	-	(386,263)	-	(386,263)
Cemetery	101,044	12,564	-	-	(88,480)	-	(88,480)
Culture and Recreation	220,999	11,014	7,250	-	(202,735)	-	(202,735)
Media Center	17,133	17	-	-	(17,116)	-	(17,116)
Interest on Long-term debt	1,706	-	-	-	(1,706)	-	(1,706)
Total governmental activities	<u>2,356,031</u>	<u>55,412</u>	<u>68,358</u>	<u>10,795</u>	<u>(2,221,466)</u>	<u>-</u>	<u>(2,221,466)</u>
Business-type activities:							
Water	1,830,343	1,556,685	-	-	-	(273,658)	(273,658)
Wastewater	700,371	788,830	-	-	-	88,459	88,459
Sanitation	620,004	540,975	-	-	-	(79,029)	(79,029)
Economic Development	194,319	120,042	39,595	-	-	(34,682)	(34,682)
Total business-type activities	<u>3,345,037</u>	<u>3,006,532</u>	<u>39,595</u>	<u>-</u>	<u>-</u>	<u>(298,910)</u>	<u>(298,910)</u>
Total primary government	<u>\$ 5,701,068</u>	<u>\$ 3,061,944</u>	<u>\$ 107,953</u>	<u>\$ 10,795</u>	<u>(2,221,466)</u>	<u>(298,910)</u>	<u>(2,520,376)</u>
General revenues:							
Taxes:							
Sales and use taxes					1,637,772	-	1,637,772
Franchise taxes and public service taxes					111,688	-	111,688
Hotel/motel taxes					23,730	-	23,730
Intergovernmental revenue not restricted to specific programs					458,045	-	458,045
Unrestricted investment earnings					54,123	700,586	754,709
Miscellaneous					97,804	146,301	244,105
Transfers					77,851	(77,851)	-
Total general revenues and transfers					<u>2,461,013</u>	<u>769,036</u>	<u>3,230,049</u>
Change in net position					239,547	470,126	709,673
Net position - beginning					9,633,892	12,341,787	21,975,679
Net position - ending					<u>\$ 9,873,439</u>	<u>\$ 12,811,913</u>	<u>\$ 22,685,352</u>

See accompanying notes to the basic financial statements.

**CITY OF OKEMAH, OKLAHOMA
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BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Governmental Funds Balance Sheet (Modified Cash Basis)- June 30, 2023

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 532,925	\$ 710,328	\$ 796,307	\$ 2,039,560
Investments	58,665	806,733	115,043	980,441
Due from other funds	-	-	4,590	4,590
Total assets	<u>\$ 591,590</u>	<u>\$ 1,517,061</u>	<u>\$ 915,940</u>	<u>\$ 3,024,591</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 4,590	\$ -	\$ -	\$ 4,590
Total liabilities	<u>4,590</u>	<u>-</u>	<u>-</u>	<u>4,590</u>
Fund balances:				
Restricted	12,293	1,001,631	886,442	1,900,366
Assigned	262,048	515,430	29,498	806,976
Unassigned	312,659	-	-	312,659
Total fund balances	<u>587,000</u>	<u>1,517,061</u>	<u>915,940</u>	<u>3,020,001</u>
Total liabilities and fund balances	<u>\$ 591,590</u>	<u>\$ 1,517,061</u>	<u>\$ 915,940</u>	<u>\$ 3,024,591</u>

See accompanying notes to the basic financial statements.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2023

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 1,773,190	\$ -	\$ -	\$ 1,773,190
Intergovernmental	190,156	66,939	276,103	533,198
Charges for services	22,149	-	3,138	25,287
Fees and fines	11,983	-	-	11,983
Licenses and permits	18,059	-	-	18,059
Investment earnings	15,764	17,919	20,440	54,123
Miscellaneous	64,321	37,566	-	101,887
Total revenues	<u>2,095,622</u>	<u>122,424</u>	<u>299,681</u>	<u>2,517,727</u>
EXPENDITURES				
Current:				
General government	196,270	-	-	196,270
Public Safety:				
Police	587,063	-	-	587,063
Fire	41,530	-	-	41,530
Police Dispatcher	231,989	-	-	231,989
Civil Defense	94,888	-	-	94,888
Police - COPS Grant	45,934	-	-	45,934
Animal Control	83,215	-	-	83,215
Code Enforcement	80,431	-	-	80,431
Cemetery	95,049	-	-	95,049
Streets	155,523	-	-	155,523
Culture and recreation:				
Library	147,259	-	-	147,259
Park and recreation	38,540	-	-	38,540
Swimming pool	24,752	-	-	24,752
Airport	2,225	-	-	2,225
Media Center	18,274	-	-	18,274
Capital Outlay	-	1,073,894	-	1,073,894
Debt Service:				
Principal	-	-	6,464	6,464
Interest and other charges	-	-	1,706	1,706
Total Expenditures	<u>1,842,942</u>	<u>1,073,894</u>	<u>8,170</u>	<u>2,925,006</u>
Excess (deficiency) of revenues over expenditures	<u>252,680</u>	<u>(951,470)</u>	<u>291,511</u>	<u>(407,279)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	850,000	1,190,186	209,619	2,249,805
Transfers out	<u>(1,048,095)</u>	<u>-</u>	<u>(204,594)</u>	<u>(1,252,689)</u>
Total other financing sources and uses	<u>(198,095)</u>	<u>1,190,186</u>	<u>5,025</u>	<u>997,116</u>
Net change in fund balances	54,585	238,716	296,536	589,837
Fund balances - beginning	532,415	1,278,345	619,404	2,430,164
Fund balances - ending	<u>\$ 587,000</u>	<u>\$ 1,517,061</u>	<u>\$ 915,940</u>	<u>\$ 3,020,001</u>

See accompanying notes to the basic financial statements.

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

Reconciliation of Governmental Funds and Government-Wide Financial Statements- (Modified Cash Basis):

Total fund balance, governmental funds	\$	3,020,001
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
		6,885,328
Some liabilities, (Notes Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
		(31,890)
Net Position of Governmental Activities	<u>\$</u>	<u>9,873,439</u>
Net change in fund balances - total governmental funds:	\$	589,837
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		128,575
Depreciation expense		(485,329)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Principal payments on long-term debt		6,464
Change in net position of governmental activities	<u>\$</u>	<u>239,547</u>

See accompanying notes to the basic financial statements.

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

BASIC FINANCIAL STATEMENTS – PROPRIETARY-TYPE ENTERPRISE FUNDS

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Funds Statement of Net Position (Modified Cash Basis) - June 30, 2023

	Enterprise Funds		Total
	Okemah Utilities Authority	Okemah Economic Development Authority	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,027,318	\$ 291,080	\$ 1,318,398
Investments	164,633	14,230	178,863
Restricted:			
Cash and cash equivalents	21,661,153	-	21,661,153
Investments	102,586	-	102,586
Total current assets	<u>22,955,690</u>	<u>305,310</u>	<u>23,261,000</u>
Non-current assets:			
Capital Assets:			
Land and construction in progress	2,405,715	206,514	2,612,229
Other capital assets, net of accumulated depreciation	8,988,227	2,336,543	11,324,770
Total non-current assets	<u>11,393,942</u>	<u>2,543,057</u>	<u>13,936,999</u>
Total assets	<u>\$ 34,349,632</u>	<u>\$ 2,848,367</u>	<u>\$ 37,197,999</u>
LIABILITIES			
Current Liabilities:			
Meter deposit liability	\$ 97,247	\$ -	\$ 97,247
Current portion of:			
Notes payable	414,892	57,217	472,109
Total current liabilities	<u>512,139</u>	<u>57,217</u>	<u>569,356</u>
Non-current liabilities:			
Notes payable	23,480,682	336,048	23,816,730
Total non-current liabilities	<u>23,480,682</u>	<u>336,048</u>	<u>23,816,730</u>
Total liabilities	<u>23,992,821</u>	<u>393,265</u>	<u>24,386,086</u>
NET POSITION			
Net investment in capital assets	8,747,326	2,149,792	10,897,118
Restricted for debt service	412,195	-	412,195
Unrestricted	1,197,290	305,310	1,502,600
Total net position	<u>\$ 10,356,811</u>	<u>\$ 2,455,102</u>	<u>\$ 12,811,913</u>

See accompanying notes to the basic financial statements.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) - Year Ended June 30, 2023

	Enterprise Funds		Total
	Okemah Utilities Authority	Okemah Economic Development Authority	
REVENUES			
Charges for services:			
Water	\$ 1,461,540	\$ -	\$ 1,461,540
Sewer	788,830	-	788,830
Sanitation	540,975	-	540,975
Penalties	24,440	-	24,440
Tap fees	450	-	450
Rents and leases	21,465	120,042	141,507
Camping fees	32,670	-	32,670
Lake permits	16,120	-	16,120
Total operating revenues	<u>2,886,490</u>	<u>120,042</u>	<u>3,006,532</u>
OPERATING EXPENSES			
Administration	307,102	-	307,102
Water treatment plant	494,650	-	494,650
Distribution and maintenance	135,197	-	135,197
Sewer collection	78,918	-	78,918
Lake	116,561	-	116,561
Wastewater treatment plant	255,042	-	255,042
Sanitation	549,477	-	549,477
Economic development	-	123,429	123,429
Depreciation	408,745	62,828	471,573
Total Operating Expenses	<u>2,345,692</u>	<u>186,257</u>	<u>2,531,949</u>
Operating income (loss)	<u>540,798</u>	<u>(66,215)</u>	<u>474,583</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	693,996	6,590	700,586
Interest expense	(805,026)	(8,062)	(813,088)
Miscellaneous revenue	8,303	2,434	10,737
Gain on sale of capital assets	-	135,564	135,564
Operating grants and contributions	-	39,595	39,595
Total non-operating revenue (expenses)	<u>(102,727)</u>	<u>176,121</u>	<u>73,394</u>
Income (loss) before transfers and capital contributions	438,071	109,906	547,977
Capital contributions	919,265	-	919,265
Transfers in	858,407	45,000	903,407
Transfers out	(1,900,523)	-	(1,900,523)
Change in net position	315,220	154,906	470,126
Total net position - beginning	10,041,591	2,300,196	12,341,787
Total net position - ending	<u>\$ 10,356,811</u>	<u>\$ 2,455,102</u>	<u>\$ 12,811,913</u>

See accompanying notes to the basic financial statements.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Funds Statement of Cash Flows (Modified Cash Basis) - Year Ended June 30, 2023

	Enterprise Funds		Total
	Okemah Utilities Authority	Okemah Economic Development Authority	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,894,793	\$ 162,071	\$ 3,056,864
Payments to suppliers	(1,188,818)	(123,429)	(1,312,247)
Payments to employees	(735,148)	-	(735,148)
Receipts of customer meter deposits	22,546	-	22,546
Refunds of customer meter deposits	(18,950)	-	(18,950)
Interfund receipts/payments	206	-	206
Net cash provided by operating activities	974,629	38,642	1,013,271
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(1,900,523)	45,000	(1,855,523)
Transfers from other funds	858,407	-	858,407
Net cash provided by (used in) noncapital financing activities	(1,042,116)	45,000	(997,116)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(4,719)	-	(4,719)
Proceeds from sale of capital assets	-	147,050	147,050
Principal paid on debt	(306,737)	(55,358)	(362,095)
Interest and fiscal agent fees paid on debt	(880,395)	(8,062)	(888,457)
Net cash provided by (used in) capital and related financing activities	(1,191,851)	83,630	(1,108,221)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase (sale) of investments	(8,935)	(203)	(9,138)
Interest and dividends	693,996	6,590	700,586
Net cash provided by investing activities	685,061	6,387	691,448
Net increase (decrease) in cash and cash equivalents	(574,277)	173,659	(400,618)
Balances - beginning of year	23,262,748	117,421	23,380,169
Balances - end of year	\$ 22,688,471	\$ 291,080	\$ 22,979,551
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 1,027,318	\$ 291,080	\$ 1,318,398
Restricted cash and cash equivalents - current	21,661,153	-	21,661,153
Total cash and cash equivalents, end of year	\$ 22,688,471	\$ 291,080	\$ 22,979,551
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 540,798	\$ (66,215)	\$ 474,583
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	408,745	62,828	471,573
Miscellaneous revenue	8,303	2,434	10,737
Operating grants	-	39,595	39,595
Operating expenses paid by governmental fund	12,981	-	12,981
Change in assets and liabilities:			
Due to other funds	206	-	206
Deposits subject to refund	3,596	-	3,596
Net cash provided by operating activities	\$ 974,629	\$ 38,642	\$ 1,013,271
Noncash activities:			
Contributed capital assets including expensed capital outlay	\$ 919,265	\$ -	\$ 919,265
	\$ 919,265	\$ -	\$ 919,265

See accompanying notes to the basic financial statements.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes three separate legal entities reported as the primary government. The two public trust Authorities listed below are classified as blended component unit enterprise funds because (1) the City Council serves as trustees of the Authorities; (2) all debt obligations of the Authority must be approved by 2/3rds vote of the City Council; and (3) the Authorities are managed by City management.

- **The City of Okemah** – that operates the public safety, cemetery, streets and public works, health and welfare, culture and recreation, and administrative activities.
- **The Okemah Utilities Authority** – public trust created pursuant to 60 O.S. § 176 of which the City is beneficiary that operates the water, sewer, and sanitation services of the City. The OUA has historically been accounted for in the City's reporting entity financial statements as an Enterprise Fund.
- **The Okemah Economic Development Authority (OEDA)** – public trust created pursuant to 60 O.S. § 176 of which the City is beneficiary to provide economic development opportunities, in or near the City. The OEDA has historically been accounted for in the City's reporting entity financial statements as an Enterprise Fund.

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

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council 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 City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement 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 the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable

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- long-term debt
- 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.

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

- General government: License and permits and capital grants
- Public safety: Fine revenue, EMPG operating grants, and other miscellaneous grants
- Streets and highways: Gas excise and commercial vehicle taxes and CDBG Grant
- Cemetery: Cemetery lot sales and interments
- Culture and recreation: Swimming pool fees, library fines, and library operating grants
- Economic development: rents
- Water, wastewater, and sanitation: utility revenues

Governmental Funds:

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Funds

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

Major Funds:

- General Fund - accounts for all activities not accounted for in other special-purpose funds.
- Capital Improvement Fund – (Capital Project Fund) accounts for funds designated for capital outlay and debt service on capital related debt. One cent sales tax is being transferred to this fund for capital improvements as required by voter-restriction.

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

Special Revenue Fund:

- ARPA Fund – accounts for all activities for ARPA grant revenues and expenditures.

Capital Project Fund:

- Cemetery Perpetual Fund - accounts for the transfer of 25% (state law requires 12.5%) of cemetery lot sales and interment fees restricted for cemetery capital improvements.

Debt Service Fund:

- Sales Tax Debt Fund - accounts for a half-cent sales tax restricted for debt service as required by voter-restriction.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions 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 Funds:

The City’s proprietary-type funds are comprised of the following enterprise funds:

Okemah Utilities Authority Enterprise Fund:

- Okemah Utilities Authority Fund – accounts for the operation of the water, sewer, and sanitation activities.

Okemah Economic Development Authority Enterprise Fund:

- Okemah Economic Development Authority Fund – accounts for activities related to promoting economic development.

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.

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 funds. Investments consist of long-term certificates of deposits and are reported at cost.

D. Capital Assets and Depreciation

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund type operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$1,000 is used to report capital assets. Capital assets are reported at actual or estimated historical cost. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1996. Prior to July 1, 2000, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2000 are recorded at cost.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 40-50 years
- Improvements other than buildings 10-25 years
- Machinery, furniture and equipment 3-20 years
- Utility property and improvements 10-50 years
- Infrastructure 5-50 years

E. Long-Term Debt

Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary funds are the same in the fund statements as it is in the government-wide statements.

F. 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 12.

G. 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.
- b. Restricted – consists of fund balance with constraints place on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law 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 city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the 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 City’s policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’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 is displayed in three components:

- a. *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.
- b. *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.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’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.

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H. Internal and Interfund Balances and Transfers

The City’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.

I. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management’s best judgments and may vary from actual results.

2. Deposits and Investments

For the year ended June 30, 2023, the City recognized \$754,709 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City’s deposits are in demand and short-term time deposits.

At June 30, 2023, the primary government held the following deposits and investments:

Type	Credit Rating	Carrying Value
Deposits:		
Petty cash		1,320
Demand deposits		3,356,638
Time deposits - certificates of deposit, matures less than 1 year		1,261,890
Investments:		
Cavanal Hill Government Securities Money Market Fund	AAAm	21,661,153
Total deposits and investments		\$ 26,281,001
Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 25,019,111
Investments		1,261,890
		\$ 26,281,001

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 City 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 a counterparty or a counterparty’s trust, department or agent, but not in the government’s name.

As of June 30, 2023, the City’s deposits were insured or collateralized and the City was not exposed to Custody Credit Risk.

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Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable. All time deposits will mature within the next 12 months.

At June 30, 2023, the City's investments with maturity dates were limited to time deposits that were not exposed to interest rate risk.

Investment Credit Risk

The City 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 City's public trusts.

As of June 30, 2023, the City's investments consisted of \$21,661,153 of money market open-ended mutual funds invested in U.S. Treasury securities with a credit rating of AAAM as rated by Standard and Poor's.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

At June 30, 2023, the City had no concentration of credit risk as defined above.

Restricted Cash and Investments – The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of amounts restricted for debt service, or utility deposit purposes. The restricted assets as of June 30, 2023 are as follows:

	Current	
	Cash and cash equivalents	Investments
Utility Deposits	\$ -	\$ 102,586
OWRB debt service	53,890	-
Series 2022 Project	21,248,958	-
Series 2022 debt service	358,305	-
Total	\$ 21,661,153	\$ 102,586

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3. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost.

For the year ended June 30, 2023, capital assets balances changed as follows:

	Balance at July 1, 2022	Additions	Disposals	Balance at June 30, 2023
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 444,708	\$ -	\$ -	\$ 444,708
Construction in progress	370,985	30,526	30,210	371,301
Total capital assets not being depreciated	<u>815,693</u>	<u>30,526</u>	<u>30,210</u>	<u>816,009</u>
Other capital assets:				
Buildings	1,953,664	30,210	-	1,983,874
Improvements	2,021,237	3,395	-	2,024,632
Infrastructure	10,090,529	15,000	-	10,105,529
Machinery, furniture and equipment	2,388,342	79,654	-	2,467,996
Total other capital assets at historical cost	<u>16,453,772</u>	<u>128,259</u>	<u>-</u>	<u>16,582,031</u>
Less accumulated depreciation for:				
Buildings	890,939	36,248	-	927,187
Improvements	971,426	70,647	-	1,042,073
Infrastructure	5,974,086	316,265	-	6,290,351
Machinery, furniture and equipment	2,190,932	62,169	-	2,253,101
Total accumulated depreciation	<u>10,027,383</u>	<u>485,329</u>	<u>-</u>	<u>10,512,712</u>
Other capital assets, net	6,426,389	(357,070)	-	6,069,319
Governmental activities capital assets, net	<u>\$ 7,242,082</u>	<u>\$ (326,544)</u>	<u>\$ 30,210</u>	<u>\$ 6,885,328</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,738,000	\$ -	\$ 11,486	\$ 1,726,514
Construction in progress	76,911	811,068	2,264	885,715
Total capital assets not being depreciated	<u>1,814,911</u>	<u>811,068</u>	<u>13,750</u>	<u>2,612,229</u>
Other capital assets:				
Buildings	8,836,706	14,000	-	8,850,706
Improvements	3,056,516	23,750	-	3,080,266
Machinery, furniture and equipment	1,346,511	64,449	6,250	1,404,710
Utility property	10,281,490	-	-	10,281,490
Total other capital assets at historical cost	<u>23,521,223</u>	<u>102,199</u>	<u>6,250</u>	<u>23,617,172</u>
Less accumulated depreciation for:				
Buildings	3,871,857	131,761	-	4,003,618
Improvements	646,841	68,372	-	715,213
Machinery, furniture and equipment	1,161,801	56,009	6,250	1,211,560
Utility Property Improvements	6,146,580	215,431	-	6,362,011
Total accumulated depreciation	<u>11,827,079</u>	<u>471,573</u>	<u>6,250</u>	<u>12,292,402</u>
Other capital assets, net	11,694,144	(369,374)	-	11,324,770
Business-type activities capital assets, net	<u>\$ 13,509,055</u>	<u>\$ 441,694</u>	<u>\$ 13,750</u>	<u>\$ 13,936,999</u>

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 163,628	Water	\$ 208,516
Public safety	40,978	Sewer	185,017
Highways and streets	252,795	Sanitation	15,211
Cemetery	5,240	Economic development	62,828
Culture and recreation	22,688		
	<u>\$ 485,329</u>		<u>\$ 471,573</u>

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4. Note Receivable

The Okemah Economic Development Authority (OEDA) and Sertco Industries entered into a building note receivable on October 14, 2010 for a period of twenty years. The monthly note payments are \$2,083 but may be waived if Sertco fills a certain number of permanent positions within a specified time period. In the fiscal year 2023, these permanent positions were filled and, therefore, no monthly note payments were made by Sertco. Sertco may exercise the right to purchase the property at any time during the note for the unamortized portion of a \$500,000 CDBG grant used to construct and purchase the property. The note began when the CDBG grant was closed during the June 30, 2017 fiscal year. OEDA has recorded the building as an asset. Due to the use of the modified cash basis of accounting, no long term note receivable is recorded.

The Okemah Economic Development Authority (OEDA) along with Okfuskee County Industrial Authority as tenants in common and Platinum Core and Tube, Inc. entered into a building note receivable on May 1, 2015 for a period of sixty months. In July 2017, the note was assigned from Platinum Core and Tube, Inc. to Caraustar Industrial and Consumer Products Group, Inc. and in August 2018 the note was amended. The amended building note covers the period of May 1, 2015 to April 30, 2025, which is a period of one hundred twenty months. The monthly note payments are \$13,000 until the tenant completes construction of a loading dock and enclosure in the building. After completion of this project, the monthly note payments will then be \$15,000. As of June 30, 2020, the project was complete with the first new note payment deferred to July 2020. Also, the monthly note payments will be reduced \$5,000 if the tenant employs at least 14 full time employees. For fiscal year 2023, OEDA received \$10,000 each month in note payments since Caraustar employed at least 14 full time employees. Caraustar may exercise the right to purchase the property for \$1,400,000 at any time during the note.

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2023, the City reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance</u> <u>July 01, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Notes payable	\$ 38,354	\$ -	\$ (6,464)	\$ 31,890	\$ 6,778
Total Governmental Activities	<u>\$ 38,354</u>	<u>\$ -</u>	<u>\$ (6,464)</u>	<u>\$ 31,890</u>	<u>\$ 6,778</u>
Business-Type Activities:					
Notes payable from direct borrowings and direct placements	\$ 22,528,035	\$ -	\$ (362,095)	\$ 22,165,940	\$ 472,109
Total Business-Type Activities	<u>\$ 22,528,035</u>	<u>\$ -</u>	<u>\$ (362,095)</u>	<u>22,165,940</u>	<u>\$ 472,109</u>
Unamortized bond premium				<u>2,122,899</u>	
Net long term debt				<u>\$ 24,288,839</u>	
Total Long-Term Debt	<u>\$ 22,566,389</u>	<u>\$ -</u>	<u>\$ (368,559)</u>	<u>\$ 22,197,830</u>	<u>\$ 478,887</u>
Reconciliation to Statement of Net Position:					
Governmental Activities:					
Due within one year				\$ 6,778	
Due in more than one year				25,112	
Total Governmental Activities Long-term liabilities				<u>\$ 31,890</u>	
Business-Type Activities:					
Due within one year				472,109	
Due in more than one year				23,816,730	
Total Business-Type Activities Long-term liabilities				<u>\$ 24,288,839</u>	

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Governmental activities long-term debt payable from the Capital Improvement Fund includes:

Notes Payable – Direct borrowings:

\$53,900 note with BancFirst for purchase of a Mack dump truck, dated September 2019, payable in monthly installments of \$681 with an annual interest rate of 4.75%, final payment due October 2027, with the equipment pledged as collateral. In the event of default, the lender may declare all payments due or to become due to be immediately due; may enter the premises and disable the equipment; may take possession of any or all of the equipment by giving written notice and charge the City for costs incurred in repossessing the equipment, including reasonable attorneys' fees. If the lender terminates the agreement and takes possession and disposes of the equipment, the lender shall apply the proceeds of any such disposition to pay the following items in the following order: all costs incurred in securing possession of the equipment; all expenses incurred in completing the disposition; any sales or transfer taxes; the balance of any payments owed by the City during the original or renewal term then in effect; any disposition proceeds remaining shall be paid to the lender. The lender may take whatever action at law or in equity may appear necessary or desirable to enforce its rights as the owner of the equipment, and the City shall pay the reasonable attorney's fees and expenses incurred by the lender in enforcing any remedy hereunder.

		31,890	
Total Notes Payable	\$	31,890	
		6,778	
Current portion	\$	6,778	
Noncurrent portion		25,112	
Total Notes Payable - Direct borrowings	\$	31,890	

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

Okemah Utilities Authority:

Notes Payable (direct borrowings/direct placement):

2011 Promissory Note payable to Oklahoma Water Resources Board, original amount of \$2,565,000 dated June 24, 2011, secured by and payable from utility revenues and pledged sales tax as well as a mortgage on the water and sanitary sewer systems and facilities, interest rate of 2.72%, with final payment due March 15, 2032. In the event of default on the OWRB loans, 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 note; 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 or inaction of the borrower under the provisions of the loan agreement; 5) increase the interest rate to 14% on the defaulted payments.

1,207,675

2022 Promissory Note payable to Oklahooma Water Resources Board, original amount of \$20,565,000 dated March 3, 2022, secured by and payable from utility revenues and pledged sales tax as well as a mortgage on the water and sanitary sewer systems and facilities, interest rate of 4.2%, with final payment due September 15, 2051. In the event of default on the OWRB loan, the lender may: 1) file suit for specific performance of any or all of the covenants of the Borrower contained in the Loan Agreement; 2) acceleration of the payment of principal of and interest accrued on the Note; 3) appointment of temporary trustees to take over, operate and maintain the System on a profitable basis and insure the payment of the principal of and interest on the Note and any other Borrower indebtedness or suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the Loan Agreement.

		20,565,000	
Total Notes Payable	\$	21,772,675	
Plus: Unamortized bond premium		2,122,899	
Total Notes Payable	\$	23,895,574	
		414,892	
Current portion	\$	414,892	
Noncurrent portion		23,480,682	
Total Notes Payable	\$	23,895,574	

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Okemah Economic Development Authority:

Long-term debt commitments payable from net revenues generated by rental revenues and sales tax pledged to OEDA, and their outstanding balances at June 30, 2023, includes the following:

Notes Payable (direct borrowings/direct placements):

Oklahoma Department of Commerce note dated November 2, 1999 (and amended May 15, 2005), by Okemah Economic Development Authority, authorized amount of \$400,000, payable in monthly installments of \$833, including principal with a 0% interest rate, with final payment due May 15, 2045 secured by and payable from rental agreements between the OEDA and Quantum Industries and 1/2 cent sales tax. The note does not have any other collateral. In the event of default, the lender may demand that all liabilities and obligations to the lender would be due and payable immediately, cease extending credit to OEDA, and exercise all rights and remedies possessed by lender. Also, at the lender's discretion, the note interest rate may be increased to 6% in the event of default.

\$ 219,239

BancFirst note dated November 11, 2019 by Okemah Economic Development Authority, authorized amount of \$324,411, payable in monthly installments of \$4,452, with an interest rate of 4% and final payment due December 2026; in the event of default, 1) the interest rate shall be increased to 21%, however not exceeding legal maximum interest rate limitations; 2) borrower will be responsible for lender's legal expenses and court costs; 3) all indebtedness will become immediately due and payable. There is no collateral for the note.

174,026

	Total Notes Payable	\$	393,265
	Current portion	\$	57,217
	Noncurrent portion		336,048
	Total Notes Payable	\$	393,265

Long-term debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	Governmental Activities		Business-Type Activities	
	Notes Payable		Notes Payable From Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2024	\$ 6,778	\$ 1,391	\$ 472,109	\$ 843,617
2025	7,116	1,054	507,491	825,215
2026	7,466	704	527,948	805,792
2027	7,834	336	521,644	785,789
2028	2,696	28	513,814	766,682
2029-2033	-	-	2,713,655	3,525,405
2034-2038	-	-	16,839,980	7,089,473
2039-2043	-	-	49,980	-
2044-2048	-	-	19,319	-
Totals	\$ 31,890	\$ 3,513	\$ 22,165,940	\$ 14,641,973

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6. Net Position and Fund Balances

Fund Balance:

The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet:

	General Fund	Major Capital Project Fund	Other Governmental Funds	TOTAL
		Capital Improvement		
Fund Balances:				
Restricted for:				
Capital projects	\$ -	\$ 1,001,631	\$ 500,867	\$ 1,502,498
Debt service	-	-	200,140	200,140
Library operations	12,293	-	-	12,293
Cemetery capital	-	-	185,435	185,435
Sub-total Restricted	<u>12,293</u>	<u>1,001,631</u>	<u>886,442</u>	<u>1,900,366</u>
Assigned to:				
Capital projects	-	515,430	-	515,430
Cemetery capital and operations	-	-	24,700	24,700
Sales tax debt fund	-	-	4,798	4,798
Use of fund balance for subsequent budget	262,048	-	-	262,048
Sub-total Assigned	<u>262,048</u>	<u>515,430</u>	<u>29,498</u>	<u>806,976</u>
Unassigned	312,659	-	-	312,659
TOTAL FUND BALANCES	<u>\$ 587,000</u>	<u>\$ 1,517,061</u>	<u>\$ 915,940</u>	<u>\$ 3,020,001</u>

7. Sales Tax Revenue

Sales tax revenue represents a 3.5 cent local tax on each dollar of taxable sales within the City. One cent is voter-restricted for debt service on OUA debt (per ordinance 99-02-01), 1 cent is voter-restricted for capital improvements and/or job growth if needed (per ordinance 99-02-01), and ½ cent voter-restricted for economic development (per ordinance 99-03-01). Ordinance 99-03-01 terminated December 31, 2019. Voters subsequently approved ½ cent sales tax to be used for debt service effective March 1, 2020 and terminates December 31, 2039. Three and a half cents of the sales tax is received and recorded in the General Fund, with 2 ½ cents transferred to the appropriate funds as noted above.

Pledge of Future Revenues

Sales Tax Pledge- The City has pledged 2.5 cents (or 71.4%) of future sales tax revenues to repay \$2,565,000 of the 2011 Series Oklahoma Water Resources Board Notes Payable, \$1,820,000 of the 2014 Taxable Revenue Notes Payable, and \$20,565,000 of the 2022 Series Oklahoma Water Resources Board Note Payable. Proceeds from the bonds and notes provided financing for the utility system capital assets. The bonds are payable through 2032, 2022, and 2051 respectively. The total principal and interest payable for the remainder of the life of these notes is \$36,807,913. Total pledged sales tax for the year was \$1,047,760. Debt service payments of \$1,186,633 for the current fiscal year were 113% of the pledged sales taxes.

Sales Tax Pledge – The OEDA has pledged 0.5 cents (or 14.29%) of future sales tax revenues to repay \$400,000 of an Amended CDBG Note Payable. Proceeds from the note was used for roadway improvements and construction of a publicly owned building to support the start-up of Quantum Construction Technologies, Inc. The note is payable through 2045. The total principal and interest payable for the remainder of the life of the note is \$219,239. Total pledged sales tax for the year was \$209,611. Debt service payments of \$9,996 for the current fiscal year were 4.8% of the pledged sales taxes.

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Utility Net Revenue Pledge- The City has also pledged future water and sewer net revenues to repay \$24,950,000 of 2011 Series Oklahoma Water Resources Board Notes Payable, 2014 Utility System and Sales Tax Revenue Note, and 2022 Series Oklahoma Water Resources Board Note Payable. Proceeds from the bonds and notes provided financing for the utility system capital assets. The bonds are payable through 2032, 2022, and 2051 respectively. The total principal and interest payable for the remainder of the life of these notes is \$36,401,689. The bonds are payable from the above-mentioned utility net revenues. The debt service payments on the notes this year were \$1,186,633 which was 92.2% of pledged net utility revenues of \$1,286,563. Additional debt service payments paid with sales tax in previous note.

8. Property Tax Levy

The City 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 City.

9. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statements 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 and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2023 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
OUA Enterprise Fund	OUA Bond Fund	\$ 344,181	Payment of debt
OUA Enterprise Fund	Capital Improvement Fund	706,342	Capital outlay
General Fund	Capital Improvement Fund	419,238	Sales tax transfer
General Fund	Sales Tax Debt Fund	209,619	Sales tax transfer
General Fund	OUA	419,238	Sales tax transfer
ARPA Fund	Capital Improvement Fund	64,606	ARPA Expense
OUA Enterprise Fund	General Fund	850,000	Operating
Sales Tax Debt Fund	OEDA	45,000	Debt Service
Sales Tax Debt Fund	OUA	94,988	Payment of debt
Total		<u>\$ 3,153,212</u>	

Reconciliation to Fund Financial Statements and Government-Wide Statement of Activities:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,249,805	\$ (1,252,689)	\$ 997,116
Proprietary Funds	903,407	(1,900,523)	(997,116)
	<u>\$ 3,153,212</u>	<u>\$ (3,153,212)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ 997,116
Transfer of business-type activity from governmental activities	(919,265)
Transfers - internal activity	<u>\$ 77,851</u>

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Balances:

Interfund receivable and payables at June 30, 2023 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Cemetery Perpetual Fund	\$ 4,590	Cemetery revenue
Total		<u>\$ 4,590</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 4,590	\$ (4,590)	\$ -
Proprietary Funds	-	-	-
Total	<u>\$ 4,590</u>	<u>\$ (4,590)</u>	<u>\$ -</u>

10. Risk Management

The City 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 City 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 City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

11. Pension Plan Participation

The City of Okemah participates in three pension or retirement plans:

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF-DBP) – an agent multiple-employer defined benefit plan
3. Oklahoma Municipal Retirement Fund Defined Contribution Plan (OMRF-DCP) – an agent multiple-employer defined contribution plan

Firefighter Pension System:

Plan Summary Information. The City of Okemah, 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 City 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, 6601 N. Broadway Extension, Suite 100, Oklahoma City, OK 73116.

Funding Policy. OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The City is required by state law to contribute \$60 per year for each volunteer firefighter. The plan

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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	\$960	\$960
2022	\$660	\$660
2023	\$660	\$660

OMRF Defined Benefit Plan:

The City contributes to the City of Okemah Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan, for all eligible employees except for those covered by the Firefighter Pension System. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. JP Morgan of Oklahoma City acts as administrator and securities custodian.

1. Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	6.62% of covered payroll
-Employee Rate	3.75% of earnings
c. Period Required to Vest	7 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 7 years of service -Early retirement at age 55 with 7 years of service -Disability retirement with 7 years of service -Marital death benefit with 7 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
-Normal Retirement	1.875% of final average salary multiplied by credited years of service
-Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
-Disability Retirement	Same as normal retirement
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
-Prior to 7 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

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2. Actuarial Assumptions

<u>Date of Last Actuarial Valuation</u>	<u>July 1, 2021</u>
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments	7.25%
c. Projected Salary Increase	Rates by Age
d. Post Retirement Cost-of-Living Increase	None
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase
f. Mortality	PubG-2010(projected)
g. Asset Valuation Method	Actuarial method

For the year ended June 30, 2023, the City’s employer contribution to the plan was \$101,811 which was 8.63% of covered payroll--more than the actuarially required contribution. The OMRF contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2021	\$85,382	\$94,468
2022	\$108,170	\$119,680
2023	\$78,098	\$101,811

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 1001 NW 63rd St., Suite 260, Oklahoma City, OK 73116.

OMRF Defined Contribution Plan:

The City has also provided a defined contribution plan and trust known as the City of Okemah Plan and Trust (the “Plan”) in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by Bank One of Oklahoma City. The defined contribution plan is available to the City Manager. Benefits depend solely on amounts contributed to the plan plus investment earnings. The City Manager is eligible to participate upon employment, and is required to make contributions to the plan at 7.75%. Under the thrift option, the employee may contribute to the plan at varying rates. The City’s contributions, if any are made, (and interest allocated to the employee’s account) are vested at a rate of 100% upon participation. The authority to establish and amend the provisions of the plan rests with the City Council. There were no contributions to the plan for the year ended June 30, 2023.

12. Commitments and Contingencies

Compensated Absences:

As a result of the City’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2023, is summarized as follows:

- General Fund and OUA Enterprise Fund – accrued compensated absences \$95,975.

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Outstanding Construction Contracts:

The City had the following outstanding construction contract commitments at June 30, 2023:

<u>Contractor/Project</u>	<u>Contract Amount</u>	<u>Remaining Balance</u>
Delta Airport Cons.	\$200,000	\$20,719
Wall Engineering	2,150,825	1,735,334
Core & Main	<u>803,034</u>	<u>425,249</u>
Total	<u>\$3,153,859</u>	<u>\$2,181,302</u>

Litigation:

The City 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 City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City's public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Okemah participates in various federal or state grant/loan programs from year to year. In 2023, the City's involvement in federal and state award programs was not significant. 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.

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OTHER SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule – General Fund (Budgetary Basis) – Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive (Negative)</u>
Beginning Budgetary Fund Balance	\$ 535,086	\$ 535,147	\$ 535,147	\$ -
Resources (Inflows):				
Taxes	1,424,500	1,470,500	1,774,390	303,890
Intergovernmental	142,500	182,500	190,685	8,185
Charges for services	16,850	16,850	24,212	7,362
Fines and forfeitures	10,100	10,100	11,983	1,883
Licenses and permits	9,950	9,950	18,059	8,109
Investment income	-	-	15,764	15,764
Miscellaneous	57,750	57,750	63,792	6,042
Transfers in	850,000	850,000	850,000	-
Total resources (Inflows)	<u>2,511,650</u>	<u>2,597,650</u>	<u>2,948,885</u>	<u>351,235</u>
Amounts available for appropriation	<u>3,046,736</u>	<u>3,132,797</u>	<u>3,484,032</u>	<u>351,235</u>
Charges to Appropriations (Outflows):				
General government	260,971	260,971	196,188	64,783
Police	694,777	689,557	586,688	102,869
Fire	59,050	59,050	41,530	17,520
Police Dispatcher	266,622	266,622	231,751	34,871
Streets	182,056	182,056	155,369	26,687
Animal Control	80,458	102,458	83,175	19,283
Cemetery	104,683	104,683	94,995	9,688
Parks and Recreation	69,699	69,699	38,540	31,159
Library	128,545	168,545	147,132	21,413
Code Enforcement	120,490	120,490	80,397	40,093
Civil Defense	107,637	104,287	94,830	9,457
Police - Cops in School	54,834	54,834	45,881	8,953
Swimming Pool	29,133	29,133	24,752	4,381
Airport	17,000	8,000	2,225	5,775
Media Center	1,500	22,850	18,274	4,576
Transfers Out	814,500	1,050,720	1,048,095	2,625
Total Charges to Appropriations	<u>2,991,955</u>	<u>3,293,955</u>	<u>2,889,822</u>	<u>404,133</u>
Ending Budgetary Fund Balance	<u>\$ 54,781</u>	<u>\$ (161,158)</u>	<u>\$ 594,210</u>	<u>\$ 755,368</u>

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedule is reported on the modified cash basis of accounting.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require City Manager's approval, while supplemental appropriations require City Council approval.

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3. Reconciliation of the budgetary basis to modified cash basis for the General Fund is as follows:

Total Resources (Inflows) Per Budgetary Comparison Schedule	\$ 2,948,885
Reclassify abatement cost recovery	(1,200)
Cemetery care fund	(2,063)
Adjusted Total Resources	<u>\$ 2,945,622</u>
Total Resources (Inflows) Per Statement of Revenues, Expenditures and Changes in Fund Balance:	
Total Revenues	\$ 2,095,622
Transfer In	<u>850,000</u>
Total Resources (Inflows) Per Statement of Revenues, Expenditures and Changes in Fund Balance	<u><u>\$ 2,945,622</u></u>
 Charges to Appropriations (Outflows) Per Budgetary Comparison Schedule:	
Life and Health insurance adjustment	\$ 2,889,822
	<u>1,215</u>
Adjusted Total Charges to Appropriations	<u>\$ 2,891,037</u>
Total Expenditures and Transfers Per Statement of Revenues, Expenditures and Changes in Fund Balance	
Total Expenditures	\$ 1,842,942
Transfers Out	<u>1,048,095</u>
	<u><u>\$ 2,891,037</u></u>

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Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2023

	<u>ARPA Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
		<u>Cemetery Perpetual Fund</u>	<u>Sales Tax Debt Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 500,867	\$ 90,502	\$ 204,938	\$ 796,307
Investments	-	115,043	-	115,043
Due from other funds	-	4,590	-	4,590
Total assets	<u>\$ 500,867</u>	<u>\$ 210,135</u>	<u>\$ 204,938</u>	<u>\$ 915,940</u>
FUND BALANCES:				
Restricted	500,867	\$ 185,435	\$ 200,140	\$ 886,442
Assigned	-	24,700	4,798	29,498
Total fund balances	<u>500,867</u>	<u>210,135</u>	<u>204,938</u>	<u>915,940</u>
Total fund balances	<u>\$ 500,867</u>	<u>\$ 210,135</u>	<u>\$ 204,938</u>	<u>\$ 915,940</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – For the Year Ended June 30, 2023

	<u>ARPA Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total-Other Governmental Funds</u>
		<u>Cemetery Perpetual Fund</u>	<u>Sales Tax Debt Fund</u>	
REVENUES				
Intergovernmental	\$ 276,103	\$ -	\$ -	\$ 276,103
Charges for services	-	3,138	-	3,138
Investment earnings	15,689	50	4,701	20,440
Total revenues	<u>291,792</u>	<u>3,188</u>	<u>4,701</u>	<u>299,681</u>
EXPENDITURES				
Current:				
Debt Service -Interest	-	-	1,706	1,706
Debt Service -Principal	-	-	6,464	6,464
Total Expenditures	<u>-</u>	<u>-</u>	<u>8,170</u>	<u>8,170</u>
Excess (deficiency) of revenues over expenditures	<u>291,792</u>	<u>3,188</u>	<u>(3,469)</u>	<u>291,511</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	209,619	209,619
Transfers out	(64,606)	-	(139,988)	(204,594)
Total other financing sources and uses	<u>(64,606)</u>	<u>-</u>	<u>69,631</u>	<u>5,025</u>
Net change in fund balances	227,186	3,188	66,162	296,536
Fund balances - beginning	273,681	206,947	138,776	619,404
Fund balances - ending	<u>\$ 500,867</u>	<u>\$ 210,135</u>	<u>\$ 204,938</u>	<u>\$ 915,940</u>

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Schedule of Federal Awards Expended (Modified Cash Basis)– Year Ended June 30, 2023

Federal Grantor/Pass through agency Grantor/Program Title	Federal AL Number	Pass Thru Grant #	Award Amount	Contract Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF COMMERCE:</u>				
OK Department of Commerce ODOC 2022 TOP Grant	11.307	ODOC 2022 TOP Grant	\$ 24,000	\$ 24,000
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Oklahoma Department of Emergency Management:				
Emergency Performance Grant	97.042	EMPG 21	25,000	18,750
Emergency Performance Grant	97.042	EMPG 22	25,000	6,250
ARPA EM Grant	97.042	ARPA 21	6,595	6,595
Total AL 97.042			<u>56,595</u>	<u>31,595</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Rural Business Development Grant	10.351	RBDG 21	42,500	-
<u>U.S. DEPARTMENT OF TREASURY:</u>				
ARPA Grant	21.027	ARPA FY22	549,630	64,606
ARPA Telehealth FY22	45.310		39,686	28,657
ARPA Printer Grant FY23	45.310		1,000	1,000
Total AL 45.310			<u>40,686</u>	<u>29,657</u>
Total US Department of Treasury			590,316	94,263
TOTAL FEDERAL AWARDS			<u>\$ 713,411</u>	<u>\$ 149,858</u>

Footnotes to Federal Awards Schedules:

- The Schedule of Expenditures of Federal Awards is prepared on a modified cash basis. This may differ from the measurement of awards expended as defined in the Uniform Guidance.

Schedule of State Awards (Modified Cash Basis) – Year Ended June 30, 2023

Grantor/Program Title	Grant #	Amount	Expenditures
STATE AWARDS:			
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>			
State Aid 2022	N/A	\$ 7,485	\$ 150
State Aid 2023	N/A	7,250	5,836
Total Oklahoma Dept of Libraries		<u>14,735</u>	<u>5,986</u>
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Grant FY23 Operating	N/A	10,053	10,053
Total Oklahoma Dept of Agriculture		<u>10,053</u>	<u>10,053</u>
<u>CENTRAL OKLAHOMA ECONOMIC DEVELOPMENT DISTRICT:</u>			
Rural Economic Action Plan-fire escape	2021-2022 REAP Fund 1E	25,000	4,200
		<u>25,000</u>	<u>4,200</u>
<u>OKLAHOMA RURAL WATER ASSOCIATION:</u>			
ORWA Rural Infrastructure Grant	ORWA RIG Grant	100,000	82,813
<u>STATE OF KANSAS:</u>			
Kansas State University TAB Program	KSU TAB	10,000	-
TOTAL STATE AWARDS		<u>\$ 159,788</u>	<u>\$ 103,052</u>

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INTERNAL CONTROL AND COMPLIANCE INFORMATION

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

To the Honorable Mayor and Members of the City Council
City of Okemah, 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, each major fund, and the aggregate remaining fund information of the City of Okemah, Oklahoma (the “City”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated January 16, 2024. Our report included an emphasis-of-a-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 City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of 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 City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an

HSPG & ASSOCIATES, PC

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

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

Purpose of This Report

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

HSPG & Associates, P.C.

January 16, 2024

**CITY OF OKEMAH, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2023**

Finding 2023-001 Segregation of Duties

Criteria: Controls should properly segregate duties so that a single employee does not have access to both the physical asset and the related accounting records or to all phases of a transaction.

Condition: Controls were not always adequately segregated to prevent employees from having incompatible duties.

Cause: Due to the City's small staff size, certain duties are performed by personnel that would often be segregated to other personnel were a larger staff size available.

Effect: Unauthorized transactions may occur and not be detected due to employees performing incompatible duties.

Recommendation: Management should remain aware of the risk of any incompatible duties and attempt to compensate for that risk with increased oversight to the extent feasible.

Views of Responsive Officials of Auditee: Management previously implemented additional review procedures for collection of payments and additional review for any rate changes and adjustments in the utility billing and payroll system to help with the segregation of duties. A separate individual continues to review the daily utility report that shows all activities (payments, voids, adjustments) that were posted to a customer account in conjunction with the daily payments received reports to ensure payments were posted properly and any changes made to a customer account were valid. The City Manager and Council will continue to review and sign off on all adjustments, utility, payroll and bank registers.