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**THE CITY OF POND CREEK**  
**(Including the Pond Creek Public Works Authority)**

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

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Pond Creek, Oklahoma

### Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the City of Pond Creek, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Pond Creek's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pond Creek, 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 1C2A.

### 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 of Pond Creek, Oklahoma, 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 1C2A 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 1C2A, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

In performing an audit in accordance with 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 of Pond Creek'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 of Pond Creek'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**

#### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Receipts and Expenditures of Federal Awards 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 May 23, 2024, on our consideration of the City of Pond Creek'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 of Pond Creek'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 of Pond Creek's internal control over financial reporting and compliance.

Russell & Williams, CPAs, P.C.



Oklahoma City, Oklahoma  
May 23, 2024

**THE CITY OF POND CREEK**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**JUNE 30, 2023**

	Governmental Activities	Business-type Activities	Total 2023
<b>ASSETS</b>			
Current Assets			
Cash and demand deposits	27,758	557,296	585,054
Deposits with OMAG	19,344	0	19,344
Certificates of deposit	175,000	210,500	385,500
Restricted cash and investments	1,166,240	143,442	1,309,682
Internal balances	(26,159)	26,159	0
Total current assets	1,362,183	937,397	2,299,580
Noncurrent Assets			
Non-depreciable capital assets	25,974	73,790	99,764
Depreciable property and equipment	3,524,683	4,957,165	8,481,848
Accumulated depreciation	(2,521,194)	(3,288,025)	(5,809,219)
Net property and equipment	1,029,463	1,742,930	2,772,393
<b>TOTAL ASSETS</b>	<b>2,391,646</b>	<b>2,680,327</b>	<b>5,071,973</b>
<b>LIABILITIES</b>			
Current Liabilities			
Current portion of notes payable	0	15,661	15,661
Total current liabilities	0	15,661	15,661
Noncurrent Liabilities			
Meter deposits refundable	0	121,273	121,273
Notes payable, less current portion	0	95,596	95,596
Total noncurrent liabilities	0	216,869	216,869
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>232,530</b>	<b>232,530</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,029,463	1,631,673	2,661,136
Restricted for:			
Streets	188,894	0	188,894
Capital improvements	124,431	0	124,431
Fire department	608,826	0	608,826
Ambulance department	244,089	0	244,089
Debt	0	22,170	22,170
Unrestricted	195,943	793,954	989,897
<b>TOTAL NET POSITION</b>	<b>\$2,391,646</b>	<b>\$2,447,797</b>	<b>\$4,839,443</b>

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-type Activities	Total 2023
Governmental activities:							
General government	(83,695)	5,034	0	0	(78,661)		(78,661)
Library	(19,412)	24	2	0	(19,386)		(19,386)
Park	(43,189)	6,099	4,100	0	(32,990)		(32,990)
Police	(114,766)	5,682	10	0	(109,074)		(109,074)
Fire	(103,438)	0	61,295	0	(42,143)		(42,143)
Ambulance	(148,088)	1,978	84,701	0	(61,409)		(61,409)
Streets	(240,941)	6,731	10,347	0	(223,863)		(223,863)
Total governmental activities	(753,529)	25,548	160,455	0	(567,526)	0	(567,526)
Business-type activities:							
Electric	(935,562)	1,181,790	0	0		246,228	246,228
Sewer*	(189,812)	94,552	0	0		(95,260)	(95,260)
Trash	(184,401)	159,321	0	0		(25,080)	(25,080)
Water	(338,012)	232,316	80,544	0		(25,152)	(25,152)
Total business-type activities	(1,647,787)	1,667,979	80,544	0	0	100,736	100,736
Total all activities	(2,401,316)	1,693,527	240,999	0	(567,526)	100,736	(466,790)
General revenues:							
Taxes:							
Sales and use taxes					194,195	0	194,195
Sales taxes restricted for capital outlay					49,114	0	49,114
Sales taxes restricted for streets					73,671	0	73,671
Franchise taxes					8,847	0	8,847
Shared taxes					57,846	0	57,846
Investment income					1,650	5,188	6,838
Miscellaneous income					35,279	35,801	71,080
Interfund transfers					95,000	(95,000)	0
Total general revenues and transfers					515,602	(54,011)	461,591
Change in net assets					(51,924)	46,725	(5,199)
Beginning net position					2,443,570	2,401,072	4,844,642
Ending net position					\$2,391,646	\$2,447,797	\$4,839,443

\* Interest expense of \$5,969  
included in the sewer department

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	<u>General</u> <u>Fund</u>
ASSETS	
Cash and demand deposits	27,758
Deposits with OMAG	19,344
Certificates of deposit	175,000
Restricted cash	1,166,240
TOTAL ASSETS	<u>\$1,388,342</u>
LIABILITIES	
Due to other funds	<u>26,159</u>
TOTAL LIABILITIES	26,159
FUND BALANCE	
Restricted for:	
Streets	188,894
Capital improvements	124,431
Fire department	608,826
Ambulance department	244,089
Unassigned	<u>195,943</u>
TOTAL FUND BALANCE	<u>1,362,183</u>
TOTAL LIABILITIES AND	<u>\$1,388,342</u>
FUND BALANCE	
Reconciliation of fund balance to net assets	
of governmental activities:	
Fund balance	1,362,183
Capital assets	3,550,657
Accumulated depreciation	<u>(2,521,194)</u>
Net assets	<u>\$2,391,646</u>

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund
REVENUES	
Sales and use taxes	194,196
Sales taxes restricted for capital outlay	49,114
Sales taxes restricted for streets	73,671
Franchise taxes	8,847
Shared taxes	192,206
Grants	12,390
Donations	13,704
Fines and fees	5,682
Ambulance runs	1,978
Interest	1,650
Other revenues	53,167
TOTAL REVENUES	<u>606,605</u>
EXPENDITURES	
General government	76,084
Library	19,137
Park	42,100
Police	105,196
Fire	60,371
Ambulance	119,257
Street & alley	152,569
Capital outlay	8,149
TOTAL EXPENDITURES	<u>582,863</u>
REVENUES OVER EXPENDITURES	23,742
OTHER FINANCING (USES)	
Transfers in	<u>95,000</u>
NET CHANGE IN FUND BALANCE	118,742
BEGINNING FUND BALANCE	<u>1,243,441</u>
ENDING FUND BALANCE	<u><u>\$1,362,183</u></u>
Reconciliation of net change in fund balance to change in net position of governmental activities:	
Net change in fund balance	118,742
Capital asset purchases capitalized	8,149
Depreciation expense	<u>(178,815)</u>
Change in Net Assets of Governmental Activities	<u><u>(\$51,924)</u></u>

The accompanying notes are an integral part of these financial statements



**THE CITY OF POND CREEK**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**JUNE 30, 2023**

	<u>Utility Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and demand deposits	557,296
Certificates of deposit	210,500
Restricted cash and investments	143,442
Due from other funds	<u>26,159</u>
Total current assets	937,397
Noncurrent Assets	
Non-depreciable capital assets	73,790
Depreciable property and equipment	4,957,165
Accumulated depreciation	<u>(3,288,025)</u>
Net depreciable property and equipment	<u>1,742,930</u>
<b>TOTAL ASSETS</b>	<u><b>2,680,327</b></u>
<b>LIABILITIES</b>	
Current Liabilities	
Current portion of notes payable	<u>15,661</u>
Total current liabilities	15,661
Noncurrent Liabilities	
Meter deposits refundable	121,273
Notes payable, less current portion	<u>95,596</u>
Total noncurrent liabilities	<u>216,869</u>
<b>TOTAL LIABILITIES</b>	<b>232,530</b>
<b>NET POSITION</b>	
Net investment in capital assets	1,705,463
Restricted for debt	22,170
Unrestricted	<u>720,164</u>
<b>TOTAL NET POSITION</b>	<u><b>\$2,447,797</b></u>

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Utility Fund</u>
OPERATING REVENUES (Security for note payable)	
Electric revenues	1,181,790
Sewer revenues	94,552
Trash revenues	159,321
Water revenues	232,316
Late fees	33,380
Other income	<u>2,420</u>
TOTAL OPERATING REVENUES	1,703,779
 OPERATING EXPENSES	
Administration department	297,550
Electric department	861,174
Sewer department	109,455
Trash department	110,014
Water department	<u>263,624</u>
TOTAL OPERATING EXPENSES	1,641,817
 OPERATING LOSS	61,962
 NON-OPERATING REVENUES (EXPENSES)	
Interest income	5,188
Grants	80,544
Interest expense	<u>(5,969)</u>
NET NON-OPERATING REVENUES (EXPENSES)	79,763
 INCOME BEFORE TRANSFERS AND OTHER REVENUES	141,725
Transfers-in	<u>(95,000)</u>
INCREASE IN NET POSITION	46,725
 BEGINNING NET POSITION	<u>2,401,072</u>
ENDING NET POSITION	<u><u>\$2,447,797</u></u>

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Utility Fund</u>
Cash flows from operations:	
Cash received from:	
Customers	1,748,620
Cash payments for:	
Goods and services	(1,023,353)
Employees	<u>(487,884)</u>
Net cash provided from operations	237,383
Cash flows from capital financing activities:	
Principal payments	(14,899)
Interest payments	(5,969)
Purchase of capital assets	<u>(55,430)</u>
Net cash from capital financing activities	(76,298)
Cash flows from noncapital financing activities:	
Operating transfers	(95,000)
Operating grants	<u>80,544</u>
Net cash from noncapital financing activities	(14,456)
Cash flows from investing activities:	
Interest income	<u>5,188</u>
Net cash from investing activities	<u>5,188</u>
Net increase (decrease) in cash	<u>151,817</u>
Beginning cash	<u>759,421</u>
Ending cash	<u><u>\$911,238</u></u>
Reconciliation of income from operations to net cash from operations:	
Operating income (loss)	61,962
Adjustments to income from operations:	
Depreciation	130,580
Change in assets and liabilities:	
(Increase) decrease in interfund receivables	518
Increase (decrease) in refundable deposits	<u>44,323</u>
Net cash provided by operations	<u><u>\$237,383</u></u>

The accompanying notes are an integral part of these financial statements

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2023**

**1. Summary of Significant Accounting Policies**

**1A. Introduction**

The City's financial statements are prepared using the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP in substance but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting. Generally, that means that only items arising from cash transactions are recorded. Accounts receivable and accounts payable, for instance, are not recorded.

**1B. Financial Reporting Entity**

The City of Pond Creek (City) operates under the Statutory Aldermanic form of government and provides the following services as authorized by its charter: public safety, streets, public improvements, recreation, planning and zoning, and general administration. In conformity with GASB-14, the financial statements of the following component unit have been included in the financial reporting entity as a blended component unit because its operating and financial relationship is significant to the City.

**1B1. Blended Component Units**

The Pond Creek Public Works Authority (PWA), an entity legally separate from the City, is governed by the same board of aldermen that governs the City. For financial reporting purposes, the PWA is reported as if it were part of the City's operations because its purpose is to finance and provide electric, water, sewer, and trash services to the citizens of the City. The PWA does not present separate financial statements.

**1C. Basis of Presentation**

**1C1. Fund Accounting**

The City uses fund accounting to maintain its financial records. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The City's funds are organized into two categories: governmental and proprietary. Within these categories, funds are further defined as major or non-major. The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories as defined by GASB 34. The City has one governmental fund and one business-type fund.

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2023**

**1C2. Basis of Accounting and Measurement Focus**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Measurement focus is a term used to describe which transactions are recorded.

**1C2a. Modified Cash Basis of Accounting**

The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP and is a modification of the pure cash basis of accounting. Professional standards define the cash basis of accounting *as a basis of accounting an entity uses to record cash receipts and disbursements, and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets.)* Although the modified cash basis of accounting is not separately defined by professional standards, the modifications to the cash basis have evolved over time through common practice, and generally result when cash receipts or disbursements provide a benefit or obligation covering multiple reporting periods, and the reporting of the cash transaction would be more meaningful to financial statement users if spread over those multiple periods.

For modifications to be considered to have substantial support, they should:

1. be made as a result of cash receipts or disbursements;
2. have substantial support in GAAP or other accounting literature; and
3. be logical.

**1C3. Government-wide Financial Statements**

The government-wide financial statements are highly aggregated financial statements that present financial information for all assets, deferred outflows, liabilities, deferred inflows, and net assets using the economic resources measurement focus within the limitations of the modified cash basis of accounting. This means that revenues are recorded when received and expenses, with the exception of capitalizing and depreciating capital assets, are recorded when paid. The government-wide financial statements required are the statement of net assets and the statement of activities. These financial statements are designed to help users assess the finances of a government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current year services. They are also designed to help users assess the cost of providing services to its citizenry; determine how the government finances its programs; understand the extent to which the government has invested in capital assets; and make better comparisons between governments.

**1C4. Governmental Fund Financial Statements**

The general fund of the City is a governmental fund. The governmental fund financial statements focus primarily on the sources, uses, and balances of current financial resources. They are presented using the current financial resources measurement focus and the modified cash basis of

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2023**

accounting. Revenues are recognized when they are received, and expenditures are recorded when paid. The financial statements required for governmental funds are the balance sheet and the statement of revenues, expenditures, and changes in fund balance. The governmental fund balance sheet does not present capital assets or long-term liabilities. Instead, the statement of revenues, expenditures and changes in fund balance reports the financial resource inflows and outflows arising from the disposition and acquisition of capital assets, the issuance and repayment of long-term debt, and maturation of non-debt long-term liabilities. Capital assets and long-term liabilities associated with and generally arising from activities reported in governmental funds are reported only in the government-wide financial statements.

**1C5. Proprietary Fund Financial Statements**

The utility fund of the City is a proprietary fund. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting, the objectives of which involves the determination of operating income, changes in net position, net position, and cash flows. The accounting principles applicable are those similar to businesses in the private sector. The City maintains one proprietary fund, which is an enterprise fund. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

**1D. Cash and Cash Equivalents**

The City has defined cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**1E. Investments**

The governing body has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed. However, it is the policy of the governing body to require deposits in excess of FDIC limits to be collateralized as required by Oklahoma Statutes.

Investments are accounted for in accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments*, which states that investments held at year end with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**1F. Interfund Activity**

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2023**

revenues and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**1G. Capital Assets**

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 years
Equipment	5 to 30 years
Utility systems	20 to 40 years

GASB-34 required the City to report and depreciate new infrastructure assets effective with its adoption. Infrastructure assets include roads, sidewalks, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. Retroactive reporting is not required.

**1H. Equity Classifications**

In the government-wide statements, equity is classified as net position and reported in three components as follows:

1. Net investment in capital assets – Capital assets, net of accumulated depreciation, are reduced by the outstanding balances of any debt attributable to their acquisition, construction, or improvement.
2. Restricted – Net assets that have had constraints placed upon them either by external sources such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted – All other net assets that do not meet the definition of the previous two classifications.

In the fund financial statements, governmental fund equity is classified as fund balance and reported as needed in five components as follows:

1. Nonspendable – amounts not in a spendable form, or legally or contractually required to be maintained intact.

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2023**

2. Restricted – constraints placed on fund balance are externally imposed by creditors, grantors, or other governments; or are imposed by law through constitutional provisions or enabling legislation.
3. Committed – amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the individual government's highest level of decision-making authority.
4. Assigned – constraints placed on fund balance are imposed by the government's intent that it be used for specific purposes but are neither restricted nor committed. An individual government must define and disclose how it expresses its intent for purposes of making assignments. For the City, this intent is expressed by the use of purchase orders encumbering amounts for assigned purposes as approved by the board of trustees.
5. Unassigned – remaining fund balance in excess of all other classifications.

**1I. Revenues and Expenditures**

Program revenues in the government-wide statements include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing the goods or services that are the fund's principal ongoing operations. Revenues and expenses not meeting this definition are nonoperating revenues and expenses.

**1J. Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as needed. When both assigned and unassigned resources are available for use, it is the government's policy to use assigned resources first, and then unassigned resources as needed.

**1M. Compensated Absences**

City employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences do not vest or accumulate and are expensed as paid.

**2. Deposits and Investments**

The City has not formally adopted deposit and investment policies that limit its allowable deposits or investments and address the specific types of risk to which the City is exposed. The City follows state statutes in regard to deposits and investments as follows:

The State of Oklahoma allows municipalities to invest in the following: direct obligations of the U.S. Government, its agencies, or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; and county, municipal or school district direct debt.



**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2023**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require deposits in excess of insured amounts to be collateralized by direct obligations of the U.S. Government, its agencies or instrumentalities; direct obligations of the State of Oklahoma, or of a county, municipal or school district in Oklahoma; or surety bonds meeting certain requirements. The City had deposits at year-end that are exposed to custodial credit risk as follows:

Uncollateralized	0
Collateralized by securities held by the pledging financial institution	0
Collateralized by securities held by the pledging financial institution's trust department or agent but not in the City's name	930,492

**3. Restricted Cash**

Sales taxes restricted for streets and capital outlay are maintained in restricted accounts and recorded as restricted cash in the general fund. The balances at June 30 are respectively: \$188,894 and \$124,431.

Grant County sales taxes restricted for the Pond Creek fire and ambulance departments are recorded as restricted cash in the general fund. Although county funds, the City records them on its books for purposes of oversight and control since the expenditure of these funds is material to the operation of the fire and ambulance departments and to the financial statements of the general fund. The balances at June 30 are respectively: \$608,826 and \$244,089.

In the utility fund, restricted cash consists of \$22,170 in demand deposits restricted for debt service; and \$121,273 restricted for meter deposits.

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2023**

**4. Capital Assets**

Capital asset activity for the year just ended is summarized as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities</b>				
Assets not depreciated				
Land	19,693	0	0	19,693
Total assets not depreciated	25,974	0	0	25,974
Depreciable assets				
Buildings	466,898	0	0	466,898
Equipment	1,910,341	8,149	0	1,918,490
Infrastructure	1,139,295	0	0	1,139,295
Total depreciable assets	3,516,534	8,149	0	3,524,683
Accumulated depreciation				
Buildings	267,959	14,539	0	282,499
Equipment	1,304,046	95,231	0	1,399,278
Infrastructure	770,374	69,044	0	839,418
Total depreciation	2,342,379	178,815	0	2,521,194
Net depreciable assets	1,174,155	(170,666)	0	1,003,489
Net governmental assets	\$1,200,129	(\$170,666)	\$0	\$1,029,463
<b>Business-type activities</b>				
Assets not depreciated				
Land	73,790	0	0	73,790
Construction in progress	0	0	0	0
Total assets not depreciated	73,790	0	0	73,790
Depreciable assets				
Buildings	55,565	0	0	55,565
Equipment	171,193	0	0	171,193
Utility systems	4,674,977	55,430	0	4,730,407
Total depreciable assets	4,901,735	55,430	0	4,957,165
Accumulated depreciation				
Buildings	43,616	1,311	0	44,927
Equipment	116,790	14,565	0	131,355
Utility systems	2,997,039	114,703	0	3,111,743
Total depreciation	3,157,445	130,580	0	3,288,025
Net depreciable assets	1,744,291	(75,150)	0	1,669,141
Net business-type assets	\$1,818,080	(\$75,150)	\$0	\$1,742,930

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2023**

Depreciation expense was charged to functions as follows:

<b>Governmental activities</b>		<b>Business-type activities</b>	
General government	7,610	Administration	3,137
Library department	275	Electric department	32,359
Park department	1,089	Sewer department	49,692
Police department	9,570	Water department	45,392
Fire department	43,066	Total business-type depreciation	<u>\$130,580</u>
Ambulance department	28,832		
Street department	88,372		
Total governmental depreciation	<u>\$178,815</u>		

**5. Long-term Debt**

Long-term debt activity for the year ended June 30, 2023, was as follows:

	Beginning			Ending	Due in
Business-type Activities	Balance	Additions	Reductions	Balance	One Year
Notes from direct borrowin	126,155	0	(14,899)	\$111,256	\$15,661

Outstanding debt at year end was as follows:

	Issue			Interest	Maturity	Required	
Purpose	Date	Issued	Outstanding	Rate	Date	Escrow	Collateral
Sewer	11/09/1994	\$360,000	\$111,256	5.00%	8/9/29	\$20,868	System and revenues

A summary of debt service requirements to maturity by year is as follows:

<u>Business-type Activities</u>		
<u>Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>
2024	15,661	5,207
2025	16,462	4,406
2026	17,304	3,564
2027	18,190	2,678
2028	19,120	1,748
2028-2030	24,519	800
Total	<u>\$111,256</u>	<u>\$18,403</u>

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2023**

**6. Compliance and Accountability**

The PWA is required to maintain \$20,868 in an escrow account for their Rural Development loan. Currently, that account contains \$22,170.

**7. Defined Benefit Pension Plans**

The City participates in two defined benefit pension plans, one for City employees, and one for the volunteer firefighters. The plans are as follows:

**CITY EMPLOYEES**

Plan Description. The City of Pond Creek Plan and Trust (the Plan) provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The Plan is affiliated with the Oklahoma Municipal Retirement Fund (the Fund), an agent multiple-employer pension plan administered by JP Morgan Chase as authorized by City ordinance. The Fund is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, section 48-101 et. seq. The overall operations of the Fund are supervised by a 9-member board of trustees elected by the participating municipalities. For the Plan, that authority rests with the City of Pond Creek. The Oklahoma Municipal Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Plan and may be obtained from their offices at 525 Central Park Drive, Ste 320, Oklahoma City, OK 73105, or by calling 888.394.6673.

Funding Policy. Plan members are required to contribute 6.00% of their annual covered salary. The City is required to contribute at an actuarially determined rate, currently 15.35% of covered payroll. However, during the year just ended, the City contributed at the rate of 25.00%. The contribution requirements of Plan members and the City are established and may be amended by the Oklahoma Municipal Retirement Fund Board of Trustees.

Annual Pension Cost and Net Pension Obligation. For the year ended June 30, 2023, the City's required contribution was \$61,625, although the City's actual contributions were \$100,367. The required contribution was determined as part of the July 1, 2022, actuarial valuation using the entry age normal cost method which is computed as the level percent of pay which, if paid from the time an employee becomes a participant until assumed retirement, would accumulate funds sufficient to pay all plan benefits. The actuarial assumptions include (a) 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by year based on the age of the employee; and (c) 3% per year cost-of-living adjustments. The actuarial value of the Plan's assets was determined using a 7.5% yield on the actuarial value at the beginning of the period, increased or decreased by a cumulative adjustment using a range of 70% to 130% of the current market value of the fund. The payroll for City employees for the year was \$495,705. The payroll for City employees covered by the Fund for the year was \$401,469. Actual City and employee contributions for the year were \$100,367 and \$24,088 respectively, equal to the required contributions for the year.

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2023**

**VOLUNTEER FIREFIGHTERS**

**Plan Description.** The City contributes to the Oklahoma Firefighters Pension and Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73015, or by calling 1-800-525-7461.

**Funding Policy.** Volunteer firefighters are not required to contribute, but the City is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statutes and are not based on actuarial calculations. The City's contribution to the System for the year ended June 30, 2023, 2022, and 2021 was \$900, \$900, and \$1,020 respectively, equal to the required contribution for each year. However, the contribution for fiscal year 2021 was not paid until July 2021.

**8. Risk Management**

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There were no claims for the year just ended.

**9. Inter-fund Transactions**

Due to & Due from	General Fund	Utility Fund	Total
Operating	(26,159)	26,159	0

  

Transfers	General Fund	Utility Fund	Total
Operating	95,000	(95,000)	0

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2023**

**10. Budgets**

The board of aldermen adopts legally required annual operating budgets each year for each fund. The same generally accepted accounting principles basis of accounting used for financial reporting purposes is used for budgetary purposes. At the fund level, actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments of the same fund are approved by the board when required. Supplemental appropriations, if needed, are approved by the board and submitted to the state auditor's office as required by state statutes. All appropriations lapse at the end of the fiscal year. Encumbrance accounting is not used. For the year just ended, one budget amendment was approved by the aldermen.

**11. Subsequent Events**

Management performed an evaluation of the City's activity through May 23, 2024, the date the audit was available to be issued, and has concluded that there are no significant subsequent events requiring disclosure through that date.

**THE CITY OF POND CREEK  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and use taxes	150,000	150,000	194,196	44,196
Sales taxes restricted for capital outlay	90,000	90,000	49,114	(40,886)
Sales taxes restricted for streets	60,000	60,000	73,671	13,671
Franchise taxes	15,000	15,000	8,847	(6,153)
Shared taxes	182,500	182,500	192,206	9,706
Grants	0	0	12,390	12,390
Donations	0	0	13,704	13,704
Fines and fees	110,000	110,000	5,682	(104,318)
Ambulance runs	50,000	50,000	1,978	(48,022)
Interest	1,000	1,000	1,650	650
Sales of capital assets	0	0	0	0
Other revenues	240,000	240,000	53,167	(186,833)
<b>TOTAL REVENUES</b>	<b>898,500</b>	<b>898,500</b>	<b>606,605</b>	<b>(291,895)</b>
<b>EXPENDITURES</b>				
General government	170,000	170,000	76,084	93,916
Library	45,000	45,000	19,137	25,863
Park	29,000	41,000	42,100	(1,100)
Police	135,000	135,000	105,196	29,804
Fire	80,000	85,000	60,371	24,629
Ambulance	168,000	181,000	119,257	61,743
Street & alley	95,000	95,000	152,569	(57,569)
Capital outlay	134,500	104,500	8,149	96,351
<b>TOTAL EXPENDITURES</b>	<b>856,500</b>	<b>856,500</b>	<b>582,863</b>	<b>273,637</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>42,000</b>	<b>42,000</b>	<b>23,742</b>	<b>(18,258)</b>
<b>OTHER FINANCING (USES)</b>				
Transfers out	0	0	95,000	95,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>42,000</b>	<b>42,000</b>	<b>118,742</b>	<b>76,742</b>
<b>BEGINNING FUND BALANCE</b>	<b>1,243,441</b>	<b>1,243,441</b>	<b>1,243,441</b>	<b>0</b>
<b>ENDING FUND BALANCE</b>	<b>\$1,285,441</b>	<b>\$1,285,441</b>	<b>\$1,362,183</b>	<b>\$76,742</b>

Notes to the budgetary comparison schedule:

1. The budget is prepared on the modified cash basis of accounting.
2. The legal level of compliance is at the department level.

**THE CITY OF POND CREEK  
SCHEDULE OF RECEIPTS OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

(Modified cash basis)

<i>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS
Federal Emergency Management Agency <i>Oklahoma Department of Civil Emergency Management</i>			
Disaster Grants - Public Assistance	97.036	DR 4575 PW 36	2,337
Disaster Grants - Public Assistance	97.036	DR 4587 PW 41	7,022
Total			9,359
U.S. Department of the Treasury <i>State of Oklahoma</i>			
American Rescue Plan Act	21.027		73,522
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$82,881</u>

**THE CITY OF POND CREEK  
SCHEDULE OF RECEIPTS OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

(Modified cash basis)

<i>STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	GRANTOR'S NUMBER	RECEIPTS
Oklahoma Department of Agriculture <i>N/A</i>		
Rural Fire Protection		10,053
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$10,053</u>



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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 Board of Trustees  
City of Pond Creek, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pond Creek, Oklahoma as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Pond Creek's basic financial statements, and have issued our report thereon dated May 23, 2024.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pond Creek'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 City of Pond Creek's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Pond Creek's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

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

### **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.

A handwritten signature in black ink that reads "Russell & Williams CPA PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
May 23, 2024