



**The City of Prague**

**OKLAHOMA**

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

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

**THE CITY OF PRAGUE,  
OKLAHOMA**

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

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

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

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**CITY OF PRAGUE, OKLAHOMA  
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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
City of Prague, Oklahoma

### Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Prague, Oklahoma ("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, and each major fund 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 1B.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 1B 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 B, 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 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**

##### *Other Information*

Management is responsible for the supplementary and other information included in the annual report. The supplementary and 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 supplementary and 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 supplementary and other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the supplementary and 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 2, 2024, on our consideration of the City of Prague, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Prague, Oklahoma's internal control over financial reporting and compliance.



Elfrink and Associates, PLLC

Tulsa, Oklahoma

January 2, 2024

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**



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

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The management of the City of Prague 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 as of and 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 (GAAP). All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position increased by \$723,390, and the assets of the City exceed its liabilities at June 30, 2023, by \$2,617,799 (net position). Of this amount, \$1,084,730 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2023, the City's governmental funds reported combined ending total fund balances on a modified cash basis of \$1,902,204.
- At the end of fiscal year 2023, unassigned fund balance on a modified cash basis for the General Fund was \$262,799.

### **ABOUT THE CITY**

The City of Prague is an incorporated municipality with a population of approximately 2,400 located in Lincoln County in central Oklahoma. The City is governed by a five-member Council and operates under state law and city ordinances through the three branches of democratic 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 through its Public Works Authority, certain utility services including electric, water, wastewater, and sanitation.

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

Except as noted below, this annual report includes all activities for which the City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

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

- **The City of Prague** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*

- **The Prague Public Works Authority (PPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, electric and sanitation services of the City, with the City Council members serving as the trustees – *considered part of the primary government presentation for reporting purposes*

**The Prague Healthcare Authority** – public trust created pursuant to 60 O.S. § 176 to operate the healthcare facilities that serve the residents of the City, trustees are appointed by the mayor with City Council members approval. This trust was formed to potentially take over operation of the hospital when all legal proceedings were complete. Management of the City has elected to exclude the Authority in this financial statement report as its financial statements and schedules are prepared using the GAAP basis of accounting.

For the included public trust, the Prague Public Works Authority (PPWA), the City of Prague is the beneficiary of the trust and the entire City Council serves as the governing body of the trust. In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trusts within the City's financial reporting entity. This public trust does not issue separate annual financial statements.

For the excluded public trust, the Prague Healthcare Authority, the City of Prague is also the beneficiary of the trust. The City Council appointed the original Trustees of the Authority and selects the replacement Trustees from a list of names provided by the remaining Trustees of the Authority. In addition, all debt obligations incurred by the trust must be approved by two-thirds vote of the City Council.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Prague (the "City"), the Prague Public Works Authority (the "Public Works Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City using the modified cash basis of accounting. They present governmental and business-type activities separately and combined. For governmental and business-type 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 Statement of Activities***

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the 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, and 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.

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, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's electric, water, sewer, and sanitation utilities are reported as business-type activities.

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

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

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

*Governmental funds* - All 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. 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 you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the 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.

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

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

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

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and Emergency Reserve Fund, combining and individual fund financial statements and schedules, a federal and state award schedule, and debt service coverage schedule.

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

**THE CITY AS A WHOLE**

Following is a summary of net position reported on a modified cash basis for the City of Prague.

**Net Position (Modified Cash Basis)**  
**June 30, 2023**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2023	2022		2023	2022		2023	2022	
Current assets	\$ 1,903	\$ 1,042	83%	\$ 814	\$ 962	-15%	\$ 2,717	\$ 2,004	36%
<b>Total assets</b>	<u>1,903</u>	<u>1,042</u>	83%	<u>814</u>	<u>962</u>	-15%	<u>2,717</u>	<u>2,004</u>	36%
Current liabilities	1	0	100%	98	109	-10%	99	109	-9%
<b>Total liabilities</b>	<u>1</u>	<u>0</u>	100%	<u>98</u>	<u>109</u>	-10%	<u>99</u>	<u>109</u>	-9%
Net position									
Restricted	1,533	1,070	43%	-	-	-	1,533	1,070	43%
Unrestricted (deficit)	369	(28)	-1418%	716	853	-16%	1,085	825	32%
<b>Total net position</b>	<u>\$ 1,902</u>	<u>\$ 1,042</u>	83%	<u>\$ 716</u>	<u>\$ 853</u>	-16%	<u>\$ 2,618</u>	<u>\$ 1,895</u>	38%

**Revenues, Expenses and Changes in Net Position (Modified Cash Basis)**  
**Year Ended June 30, 2023**

**CHANGES IN NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2023	2022		2023	2022		2023	2022	
<b>Revenues</b>									
Charges for service	\$ 308	\$ 322	-4%	\$ 3,812	\$ 3,555	7%	\$ 4,120	\$ 3,877	6%
Operating grants and contributions	86	192	-55%	174	134	30%	260	326	-20%
Capital grants and contributions	144	66	118%	-	-	-	144	66	118%
Taxes	1,950	1,701	15%	-	-	-	1,950	1,701	15%
Intergovernmental revenue	260	258	1%	-	-	-	260	258	1%
Investment income	7	3	133%	-	-	-	7	3	133%
Miscellaneous	170	41	315%	59	42	40%	229	83	176%
<b>Total revenues</b>	<u>2,925</u>	<u>2,583</u>	13%	<u>4,045</u>	<u>3,731</u>	8%	<u>6,970</u>	<u>6,314</u>	10%
<b>Expenses</b>									
General government	297	271	10%	-	-	-	297	271	10%
Public safety	1,274	1,261	1%	-	-	-	1,274	1,261	1%
Streets	141	214	-34%	-	-	-	141	214	-34%
Culture, parks and recreation	621	574	8%	-	-	-	621	574	8%
Cemetery	4	10	-60%	-	-	-	4	10	-60%
Airport	100	70	43%	-	-	-	100	70	43%
Electric	-	-	-	2,727	2,477	10%	2,727	2,477	10%
Water	-	-	-	383	302	27%	383	302	27%
Wastewater	-	-	-	142	176	-19%	142	176	-19%
Sanitation	-	-	-	396	380	4%	396	380	4%
Hospital	-	-	-	162	162	0%	162	162	0%
<b>Total expenses</b>	<u>2,437</u>	<u>2,400</u>	2%	<u>3,810</u>	<u>3,497</u>	9%	<u>6,247</u>	<u>5,897</u>	6%
Excess (deficiency) before transfers	488	183	167%	235	234	0%	723	417	73%
Transfers	372	(65)	-672%	(372)	65	-672%	-	-	-
<b>Change in net position</b>	860	118	629%	(137)	299	-146%	723	417	73%
<b>Beginning net position</b>	<u>1,042</u>	<u>924</u>	13%	<u>853</u>	<u>554</u>	54%	<u>1,895</u>	<u>1,478</u>	28%
<b>Ending net position</b>	<u>\$ 1,902</u>	<u>\$ 1,042</u>	83%	<u>\$ 716</u>	<u>\$ 853</u>	-16%	<u>\$ 2,618</u>	<u>\$ 1,895</u>	38%

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

Governmental current assets and net position increased approximately \$860 thousand due to an increase in cash. This increase in cash was mainly due to improved sales tax collections up \$249 thousand in the current year and increases in miscellaneous revenue and net transfers of \$129 and \$437 thousand respectively. Miscellaneous revenue was partially increased because of additional insurance reimbursements for damage to city property, while net transfers improved due to operating subsidies and transfers for various capital projects from the Public Works Authority. Finally, the restricted portion of net position increased approximately \$463 thousand due primarily to unspent Emergency Reserve and Capital Improvement Fund revenues.

Business-type current assets decreased approximately \$148 thousand due to a decrease in cash arising mainly from a decrease in net transfers of \$437 thousand. As mentioned previously, the change in net transfers was primarily caused by operating transfers out and transfers for various capital projects to the General and Capital Improvement Funds.

**Governmental Activities**

The City's governmental activities had an increase in net position of \$860,681. See explanations above.

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

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>(Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
	General government	\$ 297	\$ 271	10%	(\$253)	(\$256)
Public safety	1,274	1,261	1%	(1,076)	(1,054)	2%
Streets	141	214	-34%	(120)	(130)	-8%
Culture, parks and recreation	621	574	8%	(498)	(476)	5%
Cemetery	4	10	-60%	14	13	8%
Airport	100	70	43%	34	(56)	-161%
Hospital (payments to component unit)	-	-	0%	-	139	-100%
<b>Total</b>	<u>\$ 2,437</u>	<u>\$ 2,400</u>	2%	<u>(\$1,899)</u>	<u>(\$1,820)</u>	4%

**Business-type Activities**

The business-type activities had a decrease in net position of \$137,291. See explanations above.

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

	<b>Total Expense of Services</b>		<b>% Inc. Dec.</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
	Electric	\$ 2,727	\$ 2,477	10%	\$ (41)	\$ 17
Water	383	302	27%	51	105	-51%
Wastewater	142	176	-19%	162	112	45%
Sanitation	396	380	4%	(47)	(43)	9%
Hospital	<u>162</u>	<u>162</u>	0%	<u>51</u>	<u>-</u>	100%
<b>Total</b>	<u>\$ 3,810</u>	<u>\$ 3,497</u>	9%	<u>\$ 176</u>	<u>\$ 191</u>	-8%

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

As the City completed its 2023 fiscal year, the governmental funds reported a combined total fund balance of \$1,902,204.

### **Other fund highlights include:**

- For the year ended June 30, 2023, the General Fund's total fund balance increased by \$231,378, while the Capital Improvement and Emergency Reserve Funds saw increases in fund balance of \$452,576 and \$104,483 respectively.

### **Budgetary Highlights**

For the year ended June 30, 2023, the General Fund reported actual budgetary basis revenues over final estimates by \$134,245 or an 5.8% positive variance. General Fund actual expenditures were under final appropriations by \$89,333 or a 3.9% positive variance.

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

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

- Prague Regional Memorial Hospital, under control of The Prague Healthcare Authority, is doing well, but is operating in an old building. The hospital is a vital asset to the community, and the City may have to find financing to build a new facility in the near future.
- Sales and use tax revenues remain strong and allow the City to complete additional projects.
- COVID 19 still has some lasting impacts on all functions within the city and the community with workforce struggles and supply chain issues.
- The City will continue to go after additional grants to help meet its various operational needs, add new amenities and to improve the aging infrastructure.
- The City is working in hand with the Chamber to try to fill the empty buildings in town with new businesses and promote construction, both commercial and residential.
- While our utility rates have remained fairly constant for the last few years, increasing costs for labor and supplies may warrant some rate increases in the coming year.

### **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 820 N. Jim Thorpe Blvd., Prague, Oklahoma 74864 or telephone at 405-567-2270.

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

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

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

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,942,032	\$ 765,230	\$ 2,707,262
Investments	10,000	-	10,000
Internal balances	(48,596)	48,596	-
Total Assets	<u>1,903,436</u>	<u>813,826</u>	<u>2,717,262</u>
<b>LIABILITIES</b>			
Due to other governments	1,232	2,726	3,958
Due to depositors	-	95,505	95,505
Total Liabilities	<u>1,232</u>	<u>98,231</u>	<u>99,463</u>
<b>NET POSITION</b>			
Restricted for:			
Library	9,916	-	9,916
Streets	291,759	-	291,759
Special projects	622,930	-	622,930
Capital projects	584,052	-	584,052
Insurance	24,412	-	24,412
Unrestricted	369,135	715,595	1,084,730
Total Net Position	<u>\$ 1,902,204</u>	<u>\$ 715,595</u>	<u>\$ 2,617,799</u>

See accompanying notes to these financial statements.



**CITY OF PRAGUE, 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	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
General Government	\$ 296,989	\$ 19,388	\$ -	\$ 25,000	\$ (252,601)	\$ -	\$ (252,601)
Public Safety	1,273,687	174,396	13,003	9,823	(1,076,465)	-	(1,076,465)
Highways and Streets	140,919	-	21,239	-	(119,680)	-	(119,680)
Culture and Recreation	620,685	85,496	7,173	30,000	(498,016)	-	(498,016)
Cemetery	4,199	17,931	-	-	13,732	-	13,732
Airport	100,524	11,090	45,000	78,787	34,353	-	34,353
Total governmental activities	<u>2,437,003</u>	<u>308,301</u>	<u>86,415</u>	<u>143,610</u>	<u>(1,898,677)</u>	<u>-</u>	<u>(1,898,677)</u>
Business-type activities:							
Electric	2,727,367	2,686,671	-	-	-	(40,696)	(40,696)
Water	383,617	434,256	-	-	-	50,639	50,639
Sewer	141,613	303,299	-	-	-	161,686	161,686
Sanitation	395,735	349,204	-	-	-	(46,531)	(46,531)
Hospital	162,486	39,000	174,402	-	-	50,916	50,916
Total business-type activities	<u>3,810,818</u>	<u>3,812,430</u>	<u>174,402</u>	<u>-</u>	<u>-</u>	<u>176,014</u>	<u>176,014</u>
Total primary government	<u>6,247,821</u>	<u>4,120,731</u>	<u>260,817</u>	<u>143,610</u>	<u>(1,898,677)</u>	<u>176,014</u>	<u>(1,722,663)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					\$ 1,911,823	\$ -	\$ 1,911,823
Franchise taxes and public service taxes					37,833	-	37,833
Intergovernmental revenue not restricted to specific programs					259,885	-	259,885
Unrestricted investment earnings					7,218	355	7,573
Miscellaneous					170,345	58,594	228,939
Transfers					372,254	(372,254)	-
Total general revenues and transfers					<u>2,759,358</u>	<u>(313,305)</u>	<u>2,446,053</u>
Change in net position					860,681	(137,291)	723,390
Net position - beginning					1,041,523	852,886	1,894,409
Net position - ending					<u>\$ 1,902,204</u>	<u>\$ 715,595</u>	<u>\$ 2,617,799</u>

See accompanying notes to these financial statements.

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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

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

	<u>General Fund</u>	<u>Emergency Reserve Fund</u>	<u>Capital Improvement Fund</u>	<u>Street Improvement Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	389,520	\$ 660,888	\$ 610,253	\$ 273,946	\$ 7,425	\$ 1,942,032
Investments	10,000	-	-	-	-	10,000
Due from other funds	-	-	-	52,351	-	52,351
Total assets	<u>399,520</u>	<u>660,888</u>	<u>610,253</u>	<u>326,297</u>	<u>7,425</u>	<u>2,004,383</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Due to other governments	1,232	-	-	-	-	1,232
Due to other funds	100,947	-	-	-	-	100,947
Total liabilities	<u>102,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,179</u>
Fund balances:						
Restricted for:						
Library	9,916	-	-	-	-	9,916
Streets	-	-	-	291,759	-	291,759
Insurance	24,412	-	-	-	-	24,412
Special project (emergency reserve fund)	-	622,930	-	-	-	622,930
Capital projects	-	-	584,052	-	-	584,052
Assigned to:						
Cemetery	-	-	-	-	3,639	3,639
E911	-	-	-	-	34	34
Streets	-	-	-	34,538	-	34,538
Library	214	-	-	-	-	214
Special project (emergency reserve fund)	-	37,958	-	-	-	37,958
Capital projects	-	-	26,201	-	2,260	28,461
Airport	-	-	-	-	975	975
Fire	-	-	-	-	517	517
Unassigned	262,799	-	-	-	-	262,799
Total fund balances	<u>297,341</u>	<u>660,888</u>	<u>610,253</u>	<u>326,297</u>	<u>7,425</u>	<u>1,902,204</u>
Total liabilities and fund balances	<u>\$ 399,520</u>	<u>\$ 660,888</u>	<u>\$ 610,253</u>	<u>\$ 326,297</u>	<u>\$ 7,425</u>	<u>\$ 2,004,383</u>

See accompanying notes to these financial statements.

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

	<b>General Fund</b>	<b>Emergency Reserve Fund</b>	<b>Capital Improvement Fund</b>	<b>Street Improvement Sales Tax Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Taxes	\$ 1,537,308	\$ 103,087	\$ 206,174	\$ 103,087	\$ -	\$ 1,949,656
Intergovernmental	473,011	-	-	21,239	-	494,250
Charges for services	218,145	-	-	-	3,188	221,333
Fines and forfeitures	33,023	-	-	-	-	33,023
Licenses and permits	24,605	-	-	-	-	24,605
Investment income	3,566	910	371	2,355	16	7,218
Miscellaneous	193,438	486	-	1,421	-	195,345
Total revenues	<u>2,483,096</u>	<u>104,483</u>	<u>206,545</u>	<u>128,102</u>	<u>3,204</u>	<u>2,925,430</u>
<b>EXPENDITURES</b>						
Current:						
General government	236,261	-	-	-	-	236,261
Public Safety	1,203,094	-	-	-	18,000	1,221,094
Highway and streets	103,261	-	-	32,938	-	136,199
Culture and recreation	523,137	-	-	-	-	523,137
Cemetery	-	-	-	-	4,199	4,199
Airport	40,119	-	-	-	-	40,119
Capital Outlay	-	-	210,869	1,455	63,670	275,994
Total Expenditures	<u>2,105,872</u>	<u>-</u>	<u>210,869</u>	<u>34,393</u>	<u>85,869</u>	<u>2,437,003</u>
Excess (deficiency) of revenues over expenditures	<u>377,224</u>	<u>104,483</u>	<u>(4,324)</u>	<u>93,709</u>	<u>(82,665)</u>	<u>488,427</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	100,000	-	460,000	-	61,200	621,200
Transfers out	(245,846)	-	(3,100)	-	-	(248,946)
Total other financing sources and uses	<u>(145,846)</u>	<u>-</u>	<u>456,900</u>	<u>-</u>	<u>61,200</u>	<u>372,254</u>
Net change in fund balances	231,378	104,483	452,576	93,709	(21,465)	860,681
Fund balances - beginning	65,963	556,405	157,677	232,588	28,890	1,041,523
Fund balances - ending	<u>\$ 297,341</u>	<u>\$ 660,888</u>	<u>\$ 610,253</u>	<u>\$ 326,297</u>	<u>\$ 7,425</u>	<u>\$ 1,902,204</u>

See accompanying notes to these financial statements.

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND**

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

	<b><u>Prague Public Works Authority Enterprise Fund</u></b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 669,725
Restricted:	
Restricted cash and cash equivalents	95,505
Due from other funds	48,596
Total assets	<u>813,826</u>
 <b>LIABILITIES</b>	
Current Liabilities:	
Due to other governments	2,726
Due to depositors	95,505
Total liabilities	<u>98,231</u>
 <b>NET POSITION</b>	
Unrestricted	715,595
Total net position	<u>\$ 715,595</u>

See accompanying notes to these financial statements.

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

	<b>Prague Public Works Authority Enterprise Fund</b>
<b>Operating Revenues:</b>	
Charges for services:	
Electric	\$ 2,668,004
Water	431,239
Sewer	301,189
Sanitation	346,083
Landfill charges	700
Miscellaneous	26,215
Total operating revenues	3,773,430
 <b>OPERATING EXPENSES</b>	
Municipal Garage	15,771
Administration	530,146
Electric	2,289,066
Water	316,104
Sewer	94,460
Sanitation	341,554
Total Operating Expenses	3,587,101
Operating income	186,329
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	355
Hospital rent	39,000
Artic Temp revenue	58,594
Transfer from Health Care Authority	174,402
Debt service:	
Principal retirement	(176,216)
Interest expense and fees	(47,501)
Total non-operating revenue	48,634
Income before transfers	234,963
Transfers in	132,946
Transfers out	(505,200)
Change in net position	(137,291)
Total net position - beginning	852,886
Total net position - ending	\$ 715,595

See accompanying notes to these financial statements.

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**Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2023**

	<b>Prague Public Works Authority Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 3,773,430
Payments to suppliers	(3,029,637)
Payments to employees	(562,354)
Payment to other fund	9,955
Payment of customer meter deposits	(5,725)
Other receipts	271,996
<b>Net cash provided by operating activities</b>	<b>457,665</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	132,946
Transfers to other funds	(505,200)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(372,254)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on debt	(176,216)
Interest and fiscal agent fees paid on debt	(47,501)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(223,717)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	355
<b>Net cash provided by investing activities</b>	<b>355</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	(137,951)
<b>Balances - beginning of year</b>	<b>903,181</b>
<b>Balances - end of year</b>	<b>\$ 765,230</b>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 669,725
Restricted cash and cash equivalents - current	95,505
Total cash and cash equivalents, end of year	<b>\$ 765,230</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 186,329
Adjustments to reconcile operating income to net cash provided by operating activities:	
Miscellaneous revenue	271,996
Change in assets and liabilities:	
Due from other funds	9,955
Due to other governments	(4,890)
Deposits subject to refund	(5,725)
<b>Net cash provided by operating activities</b>	<b>\$ 457,665</b>

See accompanying notes to these financial statements.



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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

## 1. Summary of Significant Accounting Policies

### A. Financial Reporting Entity

The City's financial reporting entity consists of the primary government, one blended component unit, and one component unit that management has elected to exclude from the financial statements.

- **The City of Prague** – an incorporated municipality that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*
- **The Prague Public Works Authority (PPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, electric, and sanitation services of the City, with the City Council members serving as the trustees – *considered part of the primary government for reporting purposes*

For the above public trust, the City of Prague is the beneficiary of the trust and the City Council either serves as the governing body of the trust or appoints the trustees. In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to include the trust within the City's financial reporting entity. The public trust does not issue separate annual financial statements.

**The Prague Healthcare Authority (PHA)** – public trust created pursuant to 60 O.S. § 176 to operate the healthcare facilities that serve the residents of the City, trustees are appointed by the mayor with City Council members approval. The City took over operation of the hospital in December 2020. The PHA will present GAAP financial statements with a September 30 year end and will be audited separately.

In determining the financial reporting entity, the City complies, with the exception of the omission of the Prague Healthcare Authority, with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" as amended by Statement 61, that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report.

### B. Basis of Accounting and Presentation

#### *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 certain modifications that the City has selected which have substantial support in generally accepted accounting principles.

These modifications include adjustments for the following balances arising from cash transactions:

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

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, property, equipment, and infrastructure assets are not recorded or depreciated, nor is debt reflected as a liability.

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, permits and capital grants and contributions
- Public safety: Fine revenue and grants and contributions
- Streets and highways: Gas excise and commercial vehicle taxes
- Culture and recreation: Recreation fees, permits and grants and contributions
- Cemetery: lot and grave opening fees
- Airport: fuel charges and grants and contributions

*Governmental Funds:*

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. For external financial statement reporting purposes, the Library account, which accounts for certain revenues and expenditures of the Prague Public Library, is combined and reported with the General Fund.
- **Emergency Reserve Fund** – a special revenue fund that accounts for revenues constrained for special projects of the City
- **Capital Improvement Fund** – a capital projects fund that accounts for contributions and specific revenue and transfers from other City funds for various capital outlay and improvement projects
- **Street Improvement Sales Tax Fund**– a capital project fund that accounts for voter restricted sales tax revenue, contributions and specific revenues, and transfers from other City funds for various street capital projects as the City Council may designate

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

- **Cemetery Care Fund** – a capital project fund that accounts for 12.5 percent of cemetery revenue restricted by State law for cemetery capital improvements and other cemetery revenues
- **E-911 Fund** – a special revenue fund that accounts for a transfer from the PPWA for E-911 services
- **CDBG Grant Fund** – a capital project fund that accounts for CDBG grant revenues and related expenditures
- **Fire Fund**– a capital project fund that accounts for the voter restricted sales tax revenue from previous years that is to be used by or for the City of Prague fire department
- **Airport Grant Fund**– a capital project fund that accounts for the airport grant revenues and related projects

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is not provided.

*Proprietary Funds:*

The City's proprietary fund is comprised of the following:

- Prague Public Works Authority (PPWA) – accounts for the operation of the electric, water, wastewater, sanitation and hospital rental activities

The proprietary funds are reported on a modified cash basis, as defined above.

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 accounts.

Investments consist of long-term certificates of deposits, reported at cost, and shares of a government obligation mutual fund reported at the current fund share price, which also represents its fair value.

**D. Compensated Absences**

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

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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 8.

**E. Fund Balances and Net Position**

*Fund Statements:*

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 placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included 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 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 the 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 two components:

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

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

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**F. 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.

**2. Deposits and Investments**

For the year ended June 30, 2023, the City recognized \$7,573 of investment income. At June 30, 2023, the primary government held the following deposits and investments:

Type	Maturities	Carrying Value
<b>Deposits:</b>		
Demand deposits		\$ 708,383
Petty cash		1,563
Time deposit	10/5/2023	2,007,316
<b>Total deposits and investments</b>		<b>\$ 2,717,262</b>
 <b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 2,707,262
Investments		10,000
		<b>\$ 2,717,262</b>

*Custodial Credit Risk*

Exposure to custodial credit related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name.

The City’s policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. At June 30, 2023, the City deposits were not exposed to custodial risk.

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*Investment Credit Risk*

The City limits its investments to those allowed in state law applicable to municipalities. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As noted in the schedule of deposits and investments above, at June 30, 2023, the City had no marketable investments.

*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 based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. As noted in the schedule of deposits and investments above, at June 30, 2023, the investments were limited to a certificate of deposit with a maturity of no later than October 2023.

*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 statement of net position are comprised of amounts restricted for utility deposits and note principal and interest. The restricted assets as of June 30, 2023 are as follows:

	Cash and cash equivalents
Utility Deposits	95,415
2020 Taxable Note P&I Account	90
Total	\$ 95,505

**3. Sales Tax Revenue**

Sales tax revenue represents a 4 cent local tax on each dollar of taxable sales within the City, of which one cent is voter restricted for street improvements (25% of 1 cent); for the Emergency Reserve fund (25% of 1 cent); and for capital needs (50% of 1 cent) in accordance with a City ordinance. Three cents of the sales tax is received and recorded in the General Fund for general operations. The restricted sales tax is recorded directly into the respective funds in accordance with Ordinance 361.

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**4. 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.

**5. Internal and Interfund Balances and Transfers**

Interfund balances at June 30, 2023, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Street Improvement Sales Tax	52,351	Deposited in incorrect fund
General Fund	PPWA	48,596	Deposited in incorrect fund
Total		<u>\$ 100,947</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 52,351	\$ (100,947)	\$ (48,596)
Proprietary Funds	48,596	-	48,596
Total	<u>\$ 100,947</u>	<u>\$ (100,947)</u>	<u>\$ -</u>

Transfers between funds and legal entities are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
PPWA	General Fund	\$ 100,000	Operating subsidy
PPWA	Capital Improvement	400,000	Capital projects
PPWA	Airport	5,200	Capital projects
General Fund	PPWA	132,946	Operating subsidy
General Fund	Capital Improvement	60,000	Capital projects
General Fund	Airport	52,900	Capital projects
Capital Improvement	Airport	3,100	Capital projects
Total		<u>\$ 754,146</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 621,200	\$ (248,946)	\$ 372,254
Proprietary Funds	132,946	(505,200)	(372,254)
	<u>\$ 754,146</u>	<u>\$ (754,146)</u>	<u>\$ -</u>

**6. Risk Management**

The City and its public trusts are 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. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.



**7. Employee Retirement Plan Participation**

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

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing 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 Prague, 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, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

*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 is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions for the last three years are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2021	\$1,260	\$1,260
2022	\$1,260	\$1,260
2023	\$1,200	\$1,200

*OPPRS:*

*Plan Summary Information.* The City of Prague, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS 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 a certain number of fulltime police officers.

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The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS  
1001 N.W. 63<sup>rd</sup> St., Suite 305  
Oklahoma City, OK 73116-7335

*Funding Policy.* The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions for the last three years are as follows:

<u>Fiscal Year</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
2021	\$25,804	\$41,931
2022	\$24,299	\$39,486
2023	\$28,666	\$46,582

*Oklahoma Municipal Retirement Fund*

The City provides a pension benefit for all of its full-time employees with the exception of the fire and police departments, through a defined contribution plan with the Oklahoma Municipal Retirement Fund. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Employee contributions were equal to 2.5% of total earnings with employer contributions equal to 4% of the employee's total salary each month. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after ten years of continuous service.

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

The OkMRF contributions for the last three years are as follows:

<u>Fiscal Year</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
2021	\$20,388	\$32,582
2022	\$22,518	\$36,030
2023	\$24,532	\$39,252

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**8. Commitments and Contingencies**

*Long-term Debt Commitments:*

At June 30, 2023, the PPWA reported the following as long-term debt commitments:

*Prague Public Works Authority:*

Long-term obligations payable from direct borrowings and direct placements include the following:

Notes Payable:

\$129,155 note payable for the purchase of electric bucket truck, payable in monthly payments of \$1,717 with annual interest rate of 3.14%, final payment due July 15, 2027. The note is with Vision Bank and is collateralized by the property lease between the Prague Public Works Authority and Vision Bank. In the event of default, the lessor may 1) accelerate the payment and collect amounts due under obligation; 2) take possession of the property; 3) terminate the agreement and repossess the property and lessee shall be liable for any amounts payable; 4) sell the property or any portion of the lessor's account at public or private sale.

78,747

2020 Utility System Revenue Note, original amount of \$1,600,000, dated December 23, 2020, by Prague Public Works Authority, interest rate at 3.125%, with final payment due December 1, 2032, secured by and payable by a pledge of utility revenues (water, sewer, garbage, and electric) as well as a mortgage on the said utility systems; to finance acquisition of the Prague Hospital and related costs; the collateral is issued on a parity with the 2001 Amended Small Community CWSRF OWRB Promissory Note. Upon default and acceleration of the indebtedness pursuant to the provisions of the Note and Loan Agreement, the Secured Party, may at its discretion, require the Debtor to assemble the Collateral and make the same available to the Secured Party.

1,311,797

Balance Outstanding at June 30, 2023

\$ 1,390,544

*Debt Service Requirements to Maturity*

Year Ended June 30,	Business-type Notes Payable	
	(direct borrowings and direct placements)	
	Principal	Interest
2024	140,087	41,509
2025	144,545	37,051
2026	149,139	32,457
2027	153,878	27,718
2028	139,564	23,140
2029-2033	663,331	47,171
	<u>\$ 1,390,544</u>	<u>\$ 209,046</u>

**Pledge of Future Revenues**

*Utility Net Revenues Pledge*

The City has pledged future net water, sewer, sanitation and electric revenues to repay \$1,600,000 of the 2020 Utility System Revenue Note. Proceeds from the note provided financing for the purchase of the hospital. The note is payable through 2032. The total principal and interest payable for the remainder of the life of this note is \$1,515,436. The note is payable from the above-mentioned utility net revenues. The debt service payments on the note this year were \$160,987 which was 67% of pledged net utility revenues of \$240,400.

*Compensated Absences:*

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation, sick 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:

- City and PPWA– accrued compensated absences \$227,596

*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 Authority. 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 Prague 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.

*Dedicated County Fire Tax:*

Lincoln and Pottawatomie County sales tax funds held by and reported by the Counties are restricted for the City's fire departments use are not reported in the City's financial statements as cash or receivables. The Counties spend the funds for the City's fire department's operations at the City's request. The amounts of cash held and reflected in the Counties financial statements for the City at June 30, 2023, is \$174,176. The revenues received by the Counties for the City were \$79,914 and the expenditures for the fire department were \$71,521 for this fiscal year.

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**SUPPLEMENTARY AND OTHER INFORMATION**



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**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriations within a fund require City Manager's approval, while supplemental appropriations require City Council approval.
3. Expenditures exceeded appropriations in the following departments:
  - General Fund – Transfers out \$112,900

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**Non-Major Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2023**

	Cemetery Care Fund	E911 Fund	CDBG Grant Fund	Fire Fund	Airport Grant Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,639	\$ 34	\$ 2,260	\$ 517	\$ 975	\$ 7,425
Total assets	<u>3,639</u>	<u>34</u>	<u>2,260</u>	<u>517</u>	<u>975</u>	<u>7,425</u>
Fund balances:						
Assigned to:						
Cemetery	3,639	-	-	-	-	3,639
E911	-	34	-	-	-	34
CDBG Grant	-	-	2,260	-	-	2,260
Airport	-	-	-	-	975	975
Fire	-	-	-	517	-	517
Total fund balances	<u>3,639</u>	<u>34</u>	<u>2,260</u>	<u>517</u>	<u>975</u>	<u>7,425</u>
Total liabilities and fund balances	<u>\$ 3,639</u>	<u>\$ 34</u>	<u>\$ 2,260</u>	<u>\$ 517</u>	<u>\$ 975</u>	<u>\$ 7,425</u>

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

	Cemetery Care Fund	E911 Fund	CDBG Grant Fund	Fire Fund	Airport Grant Fund	Total-Other Governmental Funds
<b>REVENUES</b>						
Charges for services	\$ 3,188	\$ -	\$ -	\$ -	\$ -	\$ 3,188
Investment income	15	-	-	1	-	16
Total revenues	<u>3,203</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>3,204</u>
<b>EXPENDITURES</b>						
Current:						
Public Safety	-	18,000	-	-	-	18,000
Cemetery	4,199	-	-	-	-	4,199
Capital Outlay	-	-	3,265	-	60,405	63,670
Total Expenditures	<u>4,199</u>	<u>18,000</u>	<u>3,265</u>	<u>-</u>	<u>60,405</u>	<u>85,869</u>
Excess (deficiency) of revenues over expenditures	<u>(996)</u>	<u>(18,000)</u>	<u>(3,265)</u>	<u>1</u>	<u>(60,405)</u>	<u>(82,665)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	61,200	61,200
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,200</u>	<u>61,200</u>
Net change in fund balances	(996)	(18,000)	(3,265)	1	795	(21,465)
Fund balances - beginning	4,635	18,034	5,525	516	180	28,890
Fund balances - ending	<u>\$ 3,639</u>	<u>\$ 34</u>	<u>\$ 2,260</u>	<u>\$ 517</u>	<u>\$ 975</u>	<u>\$ 7,425</u>



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**Schedule of Expenditures of Federal Awards – Year Ended June 30, 2023**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal AL Number	Agency or Pass through Number	Program or Award Amount	Federal Expenditures
<b>FEDERAL ASSISTANCE:</b>				
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>				
Federal Aviation Administration (FAA) Covid Relief	20.106	3-40-0081-009-2021	\$ 13,000	\$ 13,000
Federal Aviation Administration (FAA) Covid Relief	20.106	ARPA 3-40-0081-010-2022	32,000	32,000
Federal Aviation Administration (FAA) Covid Relief	20.106	3-40-0081-011-2022	486,999	276,314
Subtotal FAA			<u>531,999</u>	<u>321,314</u>
Passed through Oklahoma Department of Transportation Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	FTA5310-TP22(065)	93,792	93,792
Total U.S. Department of Transportation			<u>625,791</u>	<u>415,106</u>
<b><u>U.S. DEPARTMENT OF TREASURY</u></b>				
Coronavirus State and Local Recovery Funds (ARPA)	21.027	ARPA	413,409	208,664
<b><u>U.S. DEPARTMENT OF JUSTICE:</u></b>				
Passed through Oklahoma District Attorneys Council: Edward Byrne Memorial Justice Assistance Grant Program	16.738	JAG- LLE-2021-PRAGEU CI-00120	9,823	9,823
<b><u>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES:</u></b>				
Passed through Oklahoma Dept of Libraries: ARPA Grant - Targeted Grants to Public Libraries	45.310	ARPA	3,101	3,101
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 1,052,124</u>	<u>\$ 636,694</u>

**Notes to Schedule of Expenditures of Federal Awards**

Note A - Significant Accounting Policies - The accompanying schedule of federal awards is prepared on a cash basis of accounting.

**Schedule of Expenditures of State Awards – Year Ended June 30, 2023**

Federal/State Grantor/Pass through agency Grantor/Program Title	Agency or Pass Thru Number	Program or Award Amount	State Awards Expended
<b>STATE ASSISTANCE:</b>			
<b><u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u></b>			
State Aid		\$ 4,072	\$ 4,072
<b><u>COEDD:</u></b>			
CENA Grant	2017-2018 CENA Fund #007		
REAP Grant	2020-2021 REAP Fund 12	30,000	30,000
<b><u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u></b>			
Rural Fire Grant		10,053	10,053
<b><u>OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT:</u></b>			
FEMA Grant	PA FEMA DR 4575 PW 133	2,951	2,951
<b>TOTAL STATE ASSISTANCE</b>		<u>\$ 47,076</u>	<u>\$ 47,076</u>

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**Debt Service Coverage Schedule**

	<b>2020 Utility System Revenue Note</b>
Gross Revenue Available for Debt Service:	
Operating revenues of leased systems	3,772,730
Rental income	39,000
Total Gross Revenues Available	3,811,730
System Operating Expenses	3,571,330
Net Revenues Available for Debt Service	\$240,400
Debt Service Requirements:	
Maximum annual debt service on all Obligations Payable from Revenues of the System (1)	\$160,987
Coverage	149%
Coverage Requirement	125%

(1) Revenues of the System consist of water, sewer, sanitation and electric

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**INTERNAL CONTROL AND COMPLIANCE**



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*

Honorable Mayor and Members of the City Council  
City of Prague, 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 modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Prague, Oklahoma as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Prague, Oklahoma's basic financial statements, and have issued our report thereon dated January 2, 2024. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Prague, Oklahoma's internal control over financial reporting (internal control) to determine the 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 of Prague, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Prague, Oklahoma'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.

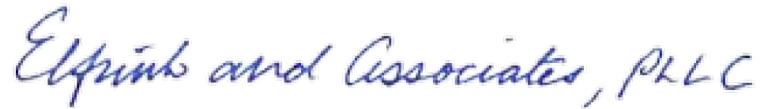
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Prague, Oklahoma'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 determination of financial statement amounts. 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 instance of noncompliance that is 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 blue ink that reads "Elfrink and Associates, PLLC". The signature is written in a cursive, flowing style.

Elfrink and Associates, PLLC

Tulsa, Oklahoma

January 2, 2024