

Town of



OKLAHOMA

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

AS OF AND FOR THE FISCAL YEAR ENDED

JUNE 30, 2024

**THE TOWN OF HENNESSEY,
OKLAHOMA**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2024

TOWN OF HENNESSEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Hennessey, Oklahoma, (the "Town") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2024, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

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

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

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

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

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

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

Other Information

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

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

Supplementary Information

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2025, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Arlidge & Associates PC

Oklahoma City, Oklahoma
February 6, 2025



TOWN OF HENNESSEY, OKLAHOMA
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As of and for the Year Ended June 30, 2024

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TOWN OF HENNESSEY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2024

The management of the Town of Hennessey is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the Town's financial condition and activities as of and for the year ended June 30, 2024. Management of the Town is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The Town reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the Town's total net position increased by \$36,366 and the assets of the Town exceed its liabilities at June 30, 2024, by \$4,914,682 (net position). Of this amount, \$1,102,714 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2024, the Town's governmental funds reported combined ending fund balances on a modified cash basis of \$3,643,564.
- At the end of fiscal year 2024, unassigned fund balance on a modified cash basis for the General Fund was \$580,313 or 39.1% of annual General Fund revenues.

ABOUT THE TOWN

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

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

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

The Town's Financial Reporting Entity

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the Town as a Whole

The Statement of Net Position and Statement of Activities

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

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

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

Other Information

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

THE TOWN AS A WHOLE

For the year ended June 30, 2024, net position on a modified cash basis for the governmental and business-type activities increased \$36,366.

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

TOWN OF HENNESSEY, OKLAHOMA
Management's Discussion and Analysis
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The Town of Hennessey's Net Position (Modified Cash Basis)
June 30, 2024
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>	
Current assets	\$ 3,644	\$ 3,627	0%	\$ 1,355	\$ 1,329	2%	\$ 4,999	\$ 4,956	1%
Total assets	<u>3,644</u>	<u>3,627</u>	0%	<u>1,355</u>	<u>1,329</u>	2%	<u>4,999</u>	<u>4,956</u>	1%
Current liabilities	-	-	-	84	78	8%	84	78	8%
Total liabilities	<u>-</u>	<u>-</u>	-	<u>84</u>	<u>78</u>	8%	<u>84</u>	<u>78</u>	8%
Net position									
Restricted	3,043	2,768	10%	769	734	5%	3,812	3,502	9%
Unrestricted	601	859	-30%	502	517	-3%	1,103	1,376	-20%
Total net position	<u>\$ 3,644</u>	<u>\$ 3,627</u>	0%	<u>\$ 1,271</u>	<u>\$ 1,251</u>	2%	<u>\$ 4,915</u>	<u>\$ 4,878</u>	1%

A portion of the Town's net position, \$3,811,968, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,102,714, may be used to meet the government's ongoing needs.

The Town of Hennessey's Revenues, Expenses and Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2024
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>	
Revenues									
Charges for services	\$ 365	\$ 276	32%	\$ 1,448	\$ 1,532	-5%	\$ 1,813	\$ 1,808	0%
Operating grants and contributions	33	40	-18%	194	144	35%	227	184	23%
Capital grants and contributions	157	153	3%	-	-	-	157	153	3%
Taxes	1,831	1,812	1%	-	-	-	1,831	1,812	1%
Intergovernmental revenue	53	250	-79%	-	-	-	53	250	-79%
Investment income	79	8	888%	50	23	117%	129	31	316%
Miscellaneous	93	149	-38%	6	16	-63%	99	165	-40%
Total revenues	<u>2,611</u>	<u>2,688</u>	-3%	<u>1,698</u>	<u>1,715</u>	-1%	<u>4,309</u>	<u>4,403</u>	-2%
Expenses									
General government	446	303	47%	-	-	-	446	303	47%
Public safety	921	913	1%	-	-	-	921	913	1%
Streets	553	565	-2%	-	-	-	553	565	-2%
Culture and recreation	449	370	21%	-	-	-	449	370	21%
Cemetery	35	2	1650%	-	-	-	35	2	1650%
Water	-	-	-	860	1,180	-27%	860	1,180	-27%
Wastewater	-	-	-	355	537	-34%	355	537	-34%
Sanitation	-	-	-	343	411	-17%	343	411	-17%
Public works	-	-	-	310	191	62%	310	191	62%
Total expenses	<u>2,404</u>	<u>2,153</u>	12%	<u>1,868</u>	<u>2,319</u>	-19%	<u>4,272</u>	<u>4,472</u>	-4%
Excess (deficiency) before transfers	207	535	-61%	(170)	(604)	72%	37	(69)	154%
Transfers	(190)	(190)	0%	190	190	0%	-	-	-
Change in net position	<u>17</u>	<u>345</u>	-95%	<u>20</u>	<u>(414)</u>	105%	<u>37</u>	<u>(69)</u>	154%
Beginning net position	<u>3,627</u>	<u>3,282</u>	11%	<u>1,251</u>	<u>1,665</u>	-25%	<u>4,878</u>	<u>4,947</u>	-1%
Ending net position	<u>\$ 3,644</u>	<u>\$ 3,627</u>	0%	<u>\$ 1,271</u>	<u>\$ 1,251</u>	2%	<u>\$ 4,915</u>	<u>\$ 4,878</u>	1%

TOWN OF HENNESSEY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2024

Governmental Activities

The Town's governmental activities had an increase in net position of \$16,289. Intergovernmental revenues decreased \$198,000 primarily from the prior year due to ARPA monies received in the prior year. General government expenses increased 47% due to staff shortage in the prior year.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>	
General government	\$ 446	\$ 303	47%	\$ (436)	\$ (291)	50%
Public safety	921	913	1%	(679)	(742)	-8%
Streets	553	565	-2%	(376)	(392)	-4%
Culture, parks and recreation	449	370	21%	(331)	(265)	25%
Cemetery	35	2	1650%	(27)	7	-486%
Total	<u>\$ 2,404</u>	<u>\$ 2,153</u>	12%	<u>\$ (1,849)</u>	<u>\$ (1,683)</u>	10%

Business-type Activities

The business-type activities had an increase in net position of \$20,077. This increase is mainly due to water and sanitary sewer improvement projects expense in the prior year.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>	
Water	\$ 860	\$ 1,180	-27%	\$ 14	\$ (299)	-105%
Wastewater	355	536	-34%	(26)	(176)	-85%
Sanitation	343	411	-17%	96	22	336%
Public works	310	191	62%	(310)	(191)	62%
Total	<u>\$ 1,868</u>	<u>\$ 2,318</u>	-19%	<u>\$ (226)</u>	<u>\$ (644)</u>	-65%

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed its 2024 fiscal year, the governmental funds reported a combined fund balance of \$3,643,564. For the year ended June 30, 2024, the General Fund's total fund balance decreased by \$186,179.

Budgetary Highlights

For the year ended June 30, 2024, the General Fund reported actual modified cash basis revenues under final estimates by \$142,023 or a 8.8% negative variance. General Fund actual expenditures were under final appropriations by \$24,078 or a 1.4% positive variance.

The Restricted Sales Tax Fund reported actual modified cash basis revenues over final estimates by \$238,809 or a 27.8% positive variance for the year ended June 30, 2024. Restricted Sales Tax Fund actual expenditures were under final appropriations by \$341,894 or a 28.5% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The Town continues to have active projects for sanitary sewer and drainage improvements. These projects are expected to be completed in the upcoming fiscal year. The Town is committed to continually making improvements as it can to attract new businesses and tourism.
- Other items of the FY 25 budget remain fairly consistent with the prior year.

Contacting the Town's Financial Management

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

TOWN OF HENNESSEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

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Statement of Net Position (Modified Cash Basis)– June 30, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,643,564	\$ 1,355,210	\$ 4,998,774
Total assets	<u>3,643,564</u>	<u>1,355,210</u>	<u>4,998,774</u>
LIABILITIES			
Due to depositors	-	84,092	84,092
Total liabilities	<u>-</u>	<u>84,092</u>	<u>84,092</u>
NET POSITION			
Restricted for:			
Emergency services	862,184	-	862,184
Street improvements	262,804	-	262,804
Swimming pool	837,466	-	837,466
Tourism	97,606	-	97,606
Street and alley	278	-	278
Juvenile programs	20,044	-	20,044
Snyder trust	36,294	-	36,294
Cemetery	29,705	-	29,705
Library	21,018	-	21,018
Capital projects	875,123	583,238	1,458,361
Debt service	-	186,208	186,208
Unrestricted	601,042	501,672	1,102,714
Total net position	<u>\$ 3,643,564</u>	<u>\$ 1,271,118</u>	<u>\$ 4,914,682</u>

See accompanying notes to the basic financial statements.

TOWN OF HENNESSEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2024

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
Primary government						
Governmental Activities						
General Government	\$ 446,265	\$ 10,215	\$ -	\$ -	\$ (436,050)	\$ -
Public Safety	920,902	232,172	9,994	-	(678,736)	-
Streets	552,840	-	19,660	156,685	(376,495)	-
Culture and Recreation	449,158	114,369	3,645	-	(331,144)	-
Cemetery	34,964	8,400	-	-	(26,564)	-
Total governmental activities	<u>2,404,129</u>	<u>365,156</u>	<u>33,299</u>	<u>156,685</u>	<u>(1,848,989)</u>	<u>-</u>
Business-Type Activities:						
Water	860,197	680,140	193,675	-	-	13,618
Wastewater	354,956	328,742	-	-	-	(26,214)
Sanitation	343,183	439,056	-	-	-	95,873
Public Works	309,454	-	-	-	-	(309,454)
Total business-type activities	<u>1,867,790</u>	<u>1,447,938</u>	<u>193,675</u>	<u>-</u>	<u>-</u>	<u>(226,177)</u>
Total primary government	<u>\$ 4,271,919</u>	<u>\$ 1,813,094</u>	<u>\$ 226,974</u>	<u>\$ 156,685</u>	<u>(1,848,989)</u>	<u>(226,177)</u>
General revenues:						
Taxes:						
Sales and use taxes					1,726,593	-
Franchise taxes and public service taxes					91,181	-
Hotel/motel taxes					12,700	-
Intergovernmental revenue not restricted to specific programs					52,648	-
Unrestricted investment earnings					78,493	50,193
Miscellaneous					93,244	6,480
Transfers					(189,581)	189,581
Total general revenues					<u>1,865,278</u>	<u>246,254</u>
Change in net position					16,289	20,077
Net position - beginning					3,627,275	1,251,041
Net position - ending					<u>\$ 3,643,564</u>	<u>\$ 1,271,118</u>
						<u>\$ 4,914,682</u>

See accompanying notes to the basic financial statements.

TOWN OF HENNESSEY, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

TOWN OF HENNESSEY, OKLAHOMA
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As of and for the Year Ended June 30, 2024

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2024

	General Fund	Restricted Sales Tax Fund	Cemetery Care Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 859,407	\$ 2,648,318	\$ 29,705	\$ 106,134	\$ 3,643,564
Due from other funds	-	286,865	-	-	286,865
Total assets	<u>\$ 859,407</u>	<u>\$ 2,935,183</u>	<u>\$ 29,705</u>	<u>\$ 106,134</u>	<u>\$ 3,930,429</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 258,365	\$ -	\$ -	\$ 28,500	\$ 286,865
Total liabilities	<u>258,365</u>	<u>-</u>	<u>-</u>	<u>28,500</u>	<u>286,865</u>
Fund balances:					
Restricted	-	2,935,183	29,705	61,447	3,026,335
Assigned	20,729	-	-	16,187	36,916
Unassigned	580,313	-	-	-	580,313
Total fund balances	<u>601,042</u>	<u>2,935,183</u>	<u>29,705</u>	<u>77,634</u>	<u>3,643,564</u>
Total liabilities and fund balances	<u>\$ 859,407</u>	<u>\$ 2,935,183</u>	<u>\$ 29,705</u>	<u>\$ 106,134</u>	<u>\$ 3,930,429</u>

See accompanying notes to the basic financial statements.

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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2024

	General Fund	Restricted Sales Tax Fund	Cemetery Care Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 954,478	\$ 875,996	\$ -	\$ -	\$ 1,830,474
Intergovernmental	62,642	156,685	-	23,305	242,632
Licenses and permits	10,215	-	-	-	10,215
Charges for services	123,089	-	1,050	-	124,139
Fees and fines	230,802	-	-	-	230,802
Investment earnings	11,063	66,828	308	294	78,493
Miscellaneous	91,551	-	-	1,693	93,244
Total revenues	<u>1,483,840</u>	<u>1,099,509</u>	<u>1,358</u>	<u>25,292</u>	<u>2,609,999</u>
EXPENDITURES					
Current:					
General government	403,075	-	-	-	403,075
Public safety	684,093	213,026	-	686	897,805
Highways and streets	249,280	-	-	28,306	277,586
Culture and recreation	332,593	-	-	3,807	336,400
Economic development	-	56,470	-	-	56,470
Cemetery	978	-	-	-	978
Capital outlay	-	397,829	33,986	-	431,815
Total expenditures	<u>1,670,019</u>	<u>667,325</u>	<u>33,986</u>	<u>32,799</u>	<u>2,404,129</u>
Excess (deficiency) of revenues over expenditures	<u>(186,179)</u>	<u>432,184</u>	<u>(32,628)</u>	<u>(7,507)</u>	<u>205,870</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(189,581)	-	-	(189,581)
Total other financing sources and uses	<u>-</u>	<u>(189,581)</u>	<u>-</u>	<u>-</u>	<u>(189,581)</u>
Net change in fund balances	(186,179)	242,603	(32,628)	(7,507)	16,289
Fund balances - beginning	787,221	2,692,580	62,333	85,141	3,627,275
Fund balances - ending	<u>\$ 601,042</u>	<u>\$ 2,935,183</u>	<u>\$ 29,705</u>	<u>\$ 77,634</u>	<u>\$ 3,643,564</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

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Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2024

	Hennessey Utilities Authority Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 501,672
Restricted:	
Cash and cash equivalents	853,538
Total assets	<u>1,355,210</u>
LIABILITIES	
Current liabilities:	
Deposits subject to refund	\$ 84,092
Total liabilities	<u>84,092</u>
NET POSITION	
Restricted for debt service	186,208
Restricted for capital projects	583,238
Unrestricted	501,672
Total net position	<u>\$ 1,271,118</u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2024

	Hennessey Utilities Authority Enterprise Fund
REVENUES	
Water	\$ 654,561
Sewer	328,742
Sanitation	439,056
Penalties	19,371
Reconnect fees	6,208
Total operating revenues	<u>1,447,938</u>
OPERATING EXPENSES	
General government	121,215
Water	593,853
Wastewater	138,167
Sanitation	343,183
Total operating expenses	<u>1,196,418</u>
Operating income	<u>251,520</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	50,193
Miscellaneous income	6,480
Debt service:	
Principal	(313,700)
Interest and trustee fees	(109,305)
Capital outlay	(248,367)
Total non-operating revenue (expenses)	<u>(614,699)</u>
Income (loss) before contributions and transfers	<u>(363,179)</u>
Capital contributions -grant	193,675
Transfers in	189,581
Change in net position	20,077
Total net position - beginning	1,251,041
Total net position - ending	<u>\$ 1,271,118</u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2024

	Hennessey Utilities Authority Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,447,938
Payments to suppliers and employees	(1,196,418)
Receipts of customer meter deposits	13,750
Refunds of customer meter deposits	(7,319)
Interfund receipts/payments	(88,149)
Other receipts	6,480
Net cash provided by operating activities	<u>176,282</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	189,581
Net cash provided by noncapital financing activities	<u>189,581</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital outlay	(248,367)
Capital grant proceeds received	193,675
Principal paid on debt	(313,700)
Interest and fiscal agent fees paid on debt	(109,305)
Net cash provided by (used in) capital and related financing activities	<u>(477,697)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	751,937
Interest and dividends	50,193
Net cash provided by investing activities	<u>802,130</u>
Net increase in cash and cash equivalents	690,296
Balances - beginning of year	<u>664,914</u>
Balances - end of year	<u><u>\$ 1,355,210</u></u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 501,672
Restricted cash and cash equivalents - current	853,538
Total cash and cash equivalents, end of year	<u><u>\$ 1,355,210</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 251,520
Adjustments to reconcile operating income to net cash provided by operating activities:	
Miscellaneous income	6,480
Change in assets and liabilities:	
Interfund receipts (payments)	(88,149)
Deposits subject to refund	6,431
Net cash provided by operating activities	<u><u>\$ 176,282</u></u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for only the following balances arising from cash transactions:

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

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

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

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

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

Governmental Funds:

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

Major Funds:

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

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

Special Revenue Funds:

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

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The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Fund:

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

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

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

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

C. Cash, Cash Equivalents, and Investments

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

D. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 9.

E. Fund Balances and Net Position

Fund Balances:

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

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

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- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. The Town’s highest level of decision-making authority is made by ordinance.
- d. *Assigned* – includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by town board action or management decision when the town board has delegated that authority. Assignment for transfers and interest income for governmental funds are made through budgetary process.
- e. *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

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

Net Position:

Net position is displayed in two components:

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

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

F. Internal and Interfund Balances and Transfers

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

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2. Deposits and Investments

For the year ended June 30, 2024, the Town recognized \$99,724 of investment income.

At June 30, 2024, the primary government held the following deposits and investments:

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Petty cash	\$ 370
Demand deposits	778,411
Money Market	3,520,107
Federated Hermes Gov Oblig Tax-Managed Money Market	699,886
Total Deposits	<u><u>\$ 4,998,774</u></u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	<u>\$ 4,998,774</u>
	<u><u>\$ 4,998,774</u></u>

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

As of June 30, 2024, the Town was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

As of June 30, 2024, the Town did not hold any securities with credit ratings since they are all non-negotiable time deposits.

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

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for debt service, capital projects or meter deposits. The restricted assets as of June 30, 2024 are as follows:

	Cash and cash equivalents
Meter Deposit	\$ 84,092
OWRB Debt Service	110,133
Debt Service	76,075
Capital Projects	583,238
Total	<u>\$ 853,538</u>

3. Fund Balances and Net Position

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

	General Fund	Restricted Sales Tax Fund	Cemetery Care Fund	Other Governmental Funds	Total
Fund Balance:					
Restricted for:					
Emergency Services Sales Tax	\$ -	\$ 862,184	\$ -	\$ -	\$ 862,184
Street Improvements Sales Tax	-	262,804	-	-	262,804
Swimming Pool	-	837,466	-	-	837,466
Capital Outlay	-	875,123	-	-	875,123
Tourism	-	97,606	-	-	97,606
Street and Alley Purposes	-	-	-	278	278
Juvenile Programs	-	-	-	20,044	20,044
Snyder Trust Fund Purposes	-	-	-	36,294	36,294
Library	-	-	-	4,831	4,831
Cemetery Care	-	-	29,705	-	29,705
Sub-total Restricted	-	2,935,183	29,705	61,447	3,026,335
Assigned For:					
CDBG projects	8,055	-	-	-	8,055
Library Operations and Capital	-	-	-	16,187	16,187
Rural Fire	12,674	-	-	-	12,674
Sub-total Assigned	20,729	-	-	16,187	36,916
Unassigned	580,313	-	-	-	580,313
Total Fund Balance	<u>\$ 601,042</u>	<u>\$ 2,935,183</u>	<u>\$ 29,705</u>	<u>\$ 77,634</u>	<u>\$ 3,643,564</u>
Enterprise Fund:					
Restricted for Debt Service	\$ 186,208				
Restricted for Capital Projects	583,238				
Total Restricted	<u>\$ 769,446</u>				

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Restricted Net Position – Governmental Activities:

At June 30, 2024, \$3,026,335 net position was restricted by enabling legislation.

4. Restricted Revenue

Sales Tax Revenue

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

Hotel Tax

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

5. Property Tax Levy

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

6. Internal and Interfund Balances and Transfers

Internal Balances:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Street and Alley Fund	Restricted Sales Tax Fund	\$ 28,500	Interfund balance for negative cash
General Fund - CDBG Account	Restricted Sales Tax Fund	258,365	Interfund balance for expenditures paid by other fund
Total		<u>\$ 286,865</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 286,865	\$ (286,865)	\$ -
Total	<u>\$ 286,865</u>	<u>\$ (286,865)</u>	<u>\$ -</u>

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Transfers:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
Restricted Sales Tax Fund	HUA Fund	\$ 189,581	Debt service payments
Total		<u>\$ 189,581</u>	
Reconciliation to Fund Financial Statements:			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ -	\$ (189,581)	\$ (189,581)
Proprietary Funds	189,581	-	189,581
	<u>\$ 189,581</u>	<u>\$ (189,581)</u>	<u>\$ -</u>
Reconciliation to Statement of Activities:			
Net governmental funds			<u>\$ (189,581)</u>

7. Risk Management

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

8. Pension Plan Participation

The Town of Hennessey participates in three pension retirement plans:

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

OFPRS:

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

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

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2022	\$1,020	\$1,020
2023	\$900	\$900
2024	\$780	\$780

OPPRS:

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

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statutes and are not based on actuarial calculations. Employees are required to contribute 8% of their annual pay. Participating cities are required to contribute 13% of the employees’ annual pay. Contributions to the pension plan from the Town were \$11,887.

Defined Contribution Plan - OkMRF

The Town has provided effective May 1, 2000, a defined contribution plan and trust known as the Town of Hennessey Plan and Trust (the “Plan”) in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan (OkMRF). OkMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by JP Morgan Chase of Oklahoma City. The OkMRF Plan issues a separate financial report that may be obtained from OkMRF. The defined contribution plan is available to all full-time employees. According to the Plan, the maximum combined contribution is 25% of the employee’s gross wages. The Town, as employer, contributes an amount equal to 2% of the employee’s gross wages toward the maximum of 25%. If an employee terminates before coming fully vested, the employer’s contributions are forfeited and may be used to reduce the Town’s current period contribution requirements. The authority to establish and amend the provisions of the Plan rests with the Town Board of Trustees. For the year ended June 30, 2024, the required contributions to be made was \$22,963 for the employer portion and employees’ contributed \$14,398.

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9. Commitments and Contingencies

Long-term Debt Commitments:

Governmental activities had no long-term debt payable from taxes and other general revenues for June 30, 2024.

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

Notes Payable (Direct Borrowings):

Note payable to Oklahoma Water Resources Board, original amount of \$1,800,000, payable in semi-annual installments, including principal and interest at 2.040%, final payment due September 15, 2033.	\$1,217,438
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Sales Tax Revenue Note, Series 2021 payable to BancFirst, original amount of \$1,104,000, payable in semi-annual installments, including principal and interest at 2.25%, final payment due October 1, 2036.	944,000
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Sales Tax Revenue Note, Series 2018 payable to BancFirst, original amount of \$2,089,000, payable in semi-annual installments, including principal and interest at 3.80%, final payment due October 1, 2033.	<u>1,496,000</u>
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Total Notes Payable (Direct Borrowings)	<u>\$3,657,438</u>
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Current portion	\$ 323,286
Non-current portion	<u>3,334,152</u>
Total Notes Payable	<u>\$3,657,438</u>

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

Change in Long-term Debt Commitments:

<u>Type of Debt</u>	<u>Balance Due July 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Due June 30, 2024</u>	<u>Amount Due Within One Year</u>
Business-Type Activities:					
Notes Payable (Direct Borrowing)	\$ 3,971,138	\$ -	\$ 313,700	\$ 3,657,438	\$ 323,286
Total Business-Type Activities	<u>\$ 3,971,138</u>	<u>\$ -</u>	<u>\$ 313,700</u>	<u>\$ 3,657,438</u>	<u>\$ 323,286</u>

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Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	<u>Business Type Activities</u>	
	<u>Notes Payable (Direct Borrowings)</u>	
	<u>Principal</u>	<u>Interest</u>
2025	323,286	101,015
2026	331,849	91,826
2027	343,465	82,367
2028	349,089	72,617
2029	360,861	62,565
2030-2034	1,737,888	150,247
2035-2037	211,000	7,178
Totals	<u>\$ 3,657,438</u>	<u>\$ 567,815</u>

Utility Net Revenues Pledge:

The City has pledged future water and sewer net utility revenues to repay the OWRB series note payable of \$1,800,000. Proceeds from the note were for financing the reverse osmosis treatment system and for wastewater system improvements. The note is payable from pledged water and sewer utility revenues of the HUA and are payable through 2034. The total principal and interest payable for the remainder of the life of this note is \$1,340,698. Pledged water and sewer utility net revenues for the current year were \$327,055. Debt service payments in the current year totaled \$145,389 and were 44.5% of pledged revenues.

Utility Gross Revenues and Sales Tax Revenues Pledge:

The City has pledged future water and sewer gross utility revenues along with future 1 cent sales tax to repay the 2021 Series Utility System Revenue Note of \$1,104,000. Proceeds from the note were for financing certain water system improvements, including acquisition, construction and installation of a reverse osmosis and related appurtenances and related costs; refinance the outstanding amount of Series 2017 Utility System Revenue Note. The note is payable from pledged water, sewer and sanitation utility revenues of the HUA and are payable through 2037. The total principal and interest payable for the remainder of the life of this note is \$1,088,338. Pledged water, sewer and sanitation utility gross revenues for the current year were \$1,498,131. Debt service payments in the current year totaled \$87,344 and were 5.9% of pledged revenues. Pledged sales tax revenues for the current year were \$368,662 with debt service payments \$87,344 and were 23.7% of pledged sales tax.

Sales Tax Revenues Pledge:

The City has pledged future 1 cent Sales Tax revenues to repay the 2018 Series Sales Tax Revenue Note of \$2,089,000. Proceeds from the note are for financing swimming pool construction. The note is payable from pledged sales tax revenues payable through 2034. The total principal and interest payable for the remainder of the life of this note is \$1,796,219. Pledged sales tax revenues for the current year were \$368,662. Debt service payments in the current year totaled \$188,515 and were 51.2% of pledged revenues.

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Compensated Absences:

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2024, is summarized as follows:

- General Fund – Vacation leave \$23,280
- HUA – Vacation leave \$5,013

Litigation:

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

Federal and State Award Programs:

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

State Audit:

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

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SUPPLEMENTARY AND OTHER INFORMATION

TOWN OF HENNESSEY, OKLAHOMA
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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2024

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Beginning Budgetary Fund Balance:	\$738,237	\$738,237	774,455	\$36,218
Resources (Inflows):				
Taxes	923,600	953,600	954,478	878
Intergovernmental	65,000	65,000	62,842	(2,158)
Charges for services	77,000	105,900	123,089	17,189
Fines and Forfeitures	150,000	257,400	230,802	(26,598)
Licenses and Permits	13,000	13,000	10,215	(2,785)
Investment Income	1,900	1,900	3,100	1,200
Miscellaneous	121,100	121,100	91,351	(29,749)
Transfer In	100,000	100,000	-	(100,000)
Total Resources (Inflows)	1,451,600	1,617,900	1,475,877	(142,023)
Amounts available for appropriation	2,189,837	2,356,137	2,250,332	(105,805)
Charges to Appropriations (Outflows):				
Managerial	5,632	5,632	4,771	861
Administration	165,915	185,115	188,156	(3,041)
Town Clerk	5,208	5,608	5,578	30
Town Treasurer	4,716	4,716	5,020	(304)
Municipal Judge	7,145	7,145	7,253	(108)
Police	588,162	600,562	576,210	24,352
Fire	74,348	110,148	100,630	9,518
Streets	245,212	249,712	249,280	432
Parks	119,780	123,780	100,918	22,862
Swimming Pool	92,824	99,824	133,629	(33,805)
General Government	131,800	193,300	199,550	(6,250)
Library	85,085	106,585	98,046	8,539
Cemetery	1,970	1,970	978	992
Total Charges to Appropriations	1,527,797	1,694,097	1,670,019	24,078
Ending Budgetary Fund Balance	\$662,040	\$662,040	\$580,313	(\$81,727)

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2024 (Continued)

	RESTRICTED SALES TAX FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$2,340,079	\$2,340,079	\$2,692,580	\$352,501
Resources (Inflows):				
Taxes	845,000	845,000	875,996	30,996
Intergovernmental	10,000	10,000	156,685	146,685
Investment income	5,700	5,700	66,828	61,128
Total Resources (Inflows)	<u>860,700</u>	<u>860,700</u>	<u>1,099,509</u>	<u>238,809</u>
Amounts available for appropriation	<u>3,200,779</u>	<u>3,200,779</u>	<u>3,792,089</u>	<u>591,310</u>
Charges to appropriations (outflows):				
Police	25,000	26,000	25,329	671
Fire	65,000	65,000	4,115	60,885
EMS	218,000	218,000	206,679	11,321
Streets	415,000	490,500	275,254	215,246
Parks	19,000	62,900	43,850	19,050
Swimming Pool	210,500	210,500	189,581	20,919
General Government	50,000	50,000	30,390	19,610
Tourism	40,000	63,400	69,270	(5,870)
Library	6,000	12,500	12,438	62
Total Charges to Appropriations	<u>1,048,500</u>	<u>1,198,800</u>	<u>856,906</u>	<u>341,894</u>
Ending Budgetary Fund Balance	<u>\$2,152,279</u>	<u>\$2,001,979</u>	<u>\$2,935,183</u>	<u>\$933,204</u>

Footnotes to Budgetary Comparison Schedules:

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

Budgetary Noncompliance:

The following departments had excess expenditures over available appropriations:

General Fund – Administration	\$ 3,041
General Fund – Town Treasurer	\$ 304
General Fund – Municipal Judge	\$ 108
General Fund – Swimming Pool	\$33,805
General Fund – General Government	\$ 6,250
Restricted Sales Tax Fund – Tourism	\$ 5,870

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NonMajor Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2024

	Special Revenue Funds				Total Governmental Funds
	Street and Alley Fund	Library Fund	Juvenile Fund	Snyder Trust Fund	
ASSETS					
Cash and cash equivalents	\$ 28,778	\$ 21,018	\$ 20,044	\$ 36,294	\$ 106,134
Total assets	<u>\$ 28,778</u>	<u>\$ 21,018</u>	<u>\$ 20,044</u>	<u>\$ 36,294</u>	<u>\$ 106,134</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 28,500	\$ -	\$ -	\$ -	\$ 28,500
Total liabilities	<u>28,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,500</u>
Fund balances:					
Restricted	278	4,831	20,044	36,294	61,447
Assigned	-	16,187	-	-	16,187
Total fund balances	<u>278</u>	<u>21,018</u>	<u>20,044</u>	<u>36,294</u>	<u>77,634</u>
Total liabilities and fund balances	<u>\$ 28,778</u>	<u>\$ 21,018</u>	<u>\$ 20,044</u>	<u>\$ 36,294</u>	<u>\$ 106,134</u>

NonMajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2024

	Special Revenue Funds				Total Governmental Funds
	Street and Alley Fund	Library Fund	Juvenile Fund	Snyder Trust Fund	
REVENUES					
Intergovernmental	\$ 19,660	\$ 3,645	\$ -	\$ -	\$ 23,305
Investment income	106	67	-	121	294
Miscellaneous	-	1,693	-	-	1,693
Total revenues	<u>19,766</u>	<u>5,405</u>	<u>-</u>	<u>121</u>	<u>25,292</u>
EXPENDITURES					
Current:					
Police	-	-	686	-	686
Streets	28,306	-	-	-	28,306
Library	-	3,807	-	-	3,807
Total Expenditures	<u>28,306</u>	<u>3,807</u>	<u>686</u>	<u>-</u>	<u>32,799</u>
Excess (deficiency) of revenues over expenditures	<u>(8,540)</u>	<u>1,598</u>	<u>(686)</u>	<u>121</u>	<u>(7,507)</u>
Net change in fund balances	(8,540)	1,598	(686)	121	(7,507)
Fund balances - beginning	8,818	19,420	20,730	36,173	85,141
Fund balances - ending	<u>\$ 278</u>	<u>\$ 21,018</u>	<u>\$ 20,044</u>	<u>\$ 36,294</u>	<u>\$ 77,634</u>

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Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2024

	<u>General Fund</u>	<u>CDBG Grant Account</u>	<u>Rural Fire Account</u>	<u>Total General Fund</u>
ASSETS				
Cash and cash equivalents	\$ 580,313	\$ 266,420	\$ 12,674	\$ 859,407
Due from other funds	-	-	-	-
Total assets	<u>\$ 580,313</u>	<u>\$ 266,420</u>	<u>\$ 12,674</u>	<u>\$ 859,407</u>
FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ 258,365	\$ -	\$ 258,365
Total liabilities	<u>-</u>	<u>258,365</u>	<u>-</u>	<u>258,365</u>
FUND BALANCES				
Assigned	-	8,055	12,674	20,729
Unassigned	580,313	-	-	580,313
Total fund balances	<u>580,313</u>	<u>8,055</u>	<u>12,674</u>	<u>601,042</u>
Total fund balances	<u>\$ 580,313</u>	<u>\$ 266,420</u>	<u>\$ 12,674</u>	<u>\$ 859,407</u>

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2024

	<u>General Fund</u>	<u>CDBG Grant Account</u>	<u>Rural Fire Account</u>	<u>Total General Fund</u>
REVENUES				
Taxes	\$ 954,478	\$ -	\$ -	\$ 954,478
Fees and fines	230,802	-	-	230,802
Licenses and permits	10,215	-	-	10,215
Intergovernmental	62,642	-	-	62,642
Charges for services	123,089	-	-	123,089
Investment income	3,100	7,912	51	11,063
Miscellaneous	91,551	-	-	91,551
Total revenues	<u>1,475,877</u>	<u>7,912</u>	<u>51</u>	<u>1,483,840</u>
EXPENDITURES				
Current:				
General government	403,075	-	-	403,075
Public Safety	684,093	-	-	684,093
Streets	249,280	-	-	249,280
Library	332,593	-	-	332,593
Cemetery	978	-	-	978
Total Expenditures	<u>1,670,019</u>	<u>-</u>	<u>-</u>	<u>1,670,019</u>
Excess (deficiency) of revenues over expenditures	<u>(194,142)</u>	<u>7,912</u>	<u>51</u>	<u>(186,179)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(194,142)	7,912	51	(186,179)
Fund balances - beginning	774,455	143	12,623	787,221
Fund balances - ending	<u>\$ 580,313</u>	<u>\$ 8,055</u>	<u>\$ 12,674</u>	<u>\$ 601,042</u>

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**HUA Enterprise Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) –
June 30, 2024**

	Enterprise Fund Accounts		
	HUA Operating	OWRB Loan Account	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 501,672	\$ -	\$ 501,672
Restricted:			
Cash and cash equivalents	783,978	69,560	853,538
Total assets	<u>1,285,650</u>	<u>69,560</u>	<u>1,355,210</u>
LIABILITIES			
Current liabilities:			
Deposits subject to refund	\$ 84,092	\$ -	\$ 84,092
Total liabilities	<u>84,092</u>	<u>-</u>	<u>84,092</u>
NET POSITION			
Restricted for debt service	116,648	69,560	186,208
Restricted for capital projects	583,238	-	583,238
Unrestricted	501,672	-	501,672
Total net position	<u>\$ 1,201,558</u>	<u>\$ 69,560</u>	<u>\$ 1,271,118</u>

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HUA Enterprise Fund Accounts Combining Schedule of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2024

	HUA Operating	OWRB Loan Account	Total
REVENUES			
Charges for services:			
Water	\$ 654,561	\$ -	\$ 654,561
Sewer	328,742	-	328,742
Sanitation	439,056	-	439,056
Penalties	19,371	-	19,371
Reconnect fees	6,208	-	6,208
Total operating revenues	<u>1,447,938</u>	<u>-</u>	<u>1,447,938</u>
OPERATING EXPENSES			
General government	121,215	-	121,215
Water	593,853	-	593,853
Wastewater	138,167	-	138,167
Sanitation	343,183	-	343,183
Total operating expenses	<u>1,196,418</u>	<u>-</u>	<u>1,196,418</u>
Operating income	<u>251,520</u>	<u>-</u>	<u>251,520</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	50,092	101	50,193
Miscellaneous revenue	6,480	-	6,480
Debt Service:			
Principal	(313,700)	-	(313,700)
Interest and trustee fees	(109,305)	-	(109,305)
Capital Outlay	(248,367)	-	(248,367)
Total non-operating revenue (expenses)	<u>(614,800)</u>	<u>101</u>	<u>(614,699)</u>
Income (loss) before contributions and transfers	<u>(363,280)</u>	<u>101</u>	<u>(363,179)</u>
Capital contributions - grant	193,675	-	193,675
Transfers in	189,581	-	189,581
Change in net position	<u>19,976</u>	<u>101</u>	<u>20,077</u>
Total net position - beginning	<u>1,181,582</u>	<u>69,459</u>	<u>1,251,041</u>
Total net position - ending	<u>\$ 1,201,558</u>	<u>\$ 69,560</u>	<u>\$ 1,271,118</u>

TOWN OF HENNESSEY, OKLAHOMA
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INTERNAL CONTROL AND COMPLIANCE

TOWN OF HENNESSEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2024

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Hennessey, Oklahoma (the "Town"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 6, 2025. Our report included an emphasis of matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Arlidge & Associates PC

Oklahoma City, Oklahoma
February 6, 2025

