



# The City of Prague OKLAHOMA

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

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

**THE CITY OF PRAGUE,  
OKLAHOMA**

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

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

**CITY OF PRAGUE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

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

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

### Adverse, Qualified, and Unmodified Opinions

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

#### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Adverse
General Fund	Unmodified
Emergency Reserve Fund	Unmodified
Capital Improvement Fund	Unmodified
Street Improvement Sales Tax Fund	Unmodified
Airport Grant Fund	Unmodified
Prague Public Works Authority	Unmodified
Aggregate Remaining Fund Information	Unmodified

#### Adverse Opinion on Business Type Activities

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the business-type activities of the City as of June 30, 2024, or the changes in financial position for the year then ended in accordance with a modified cash basis of accounting.

#### Unmodified Opinions on Governmental Activities, Each Major Fund, and the Aggregate Remaining Fund Information

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

#### Basis for Adverse and Unmodified 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 (*Government Auditing Standards*). 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 adverse and unmodified audit opinions.

## **Matters Giving Rise to Adverse Opinion on the Business-type Activities**

As discussed in Note 8, the financial statements do not include financial data for the Prague Healthcare Authority, a legally separate blended component unit of the City. A modified cash basis of accounting requires that the financial data for this blended component unit be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effects of not including the City's legally separate component unit on the business-type activities have not been determined.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with a modified cash basis of accounting, and 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.

In preparing the financial statements, management is required to evaluate whether 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **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**

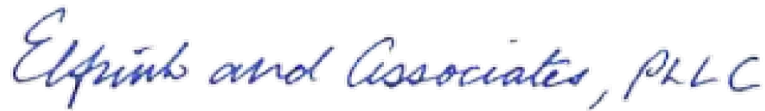
### *Other Information*

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 November 15, 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  
November 15, 2024



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**CITY OF PRAGUE, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2024**

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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, 2024**

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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, 2024. 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 decreased by \$8,963, and the assets of the City exceed its liabilities at June 30, 2024, by \$2,608,836 (net position). Of this amount, \$1,053,865 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2024, the City's governmental funds reported combined ending total fund balances on a modified cash basis of \$1,805,684.
- At the end of fiscal year 2024, unassigned fund balance on a modified cash basis for the General Fund was \$168,895.

## **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 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 trust within the City's financial reporting entity as a blended component unit. This public trust does not issue separate annual financial statements.
- **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 – *considered part of the primary government, but excluded for reporting purposes*
  - The City of Prague is the primary beneficiary of the trust and the entire board of trustees is comprised of members of the City Council. 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 trust within the City's financial reporting entity as a blended component unit. 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. If the Authority was presented, it would be displayed as a major enterprise fund, in a column next to the Public Works Authority.

## **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.

*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.

**CITY OF PRAGUE, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2024**

**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 25-36 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, Emergency Reserve Fund, and the Airport Grant Fund, and combining and individual fund financial statements and schedules.

**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 – In Thousands)**  
**June 30, 2024**

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>	
Current assets	\$ 1,807	\$ 1,903	-5%	\$ 901	\$ 814	11%	\$ 2,708	\$ 2,717	0%
<b>Total assets</b>	<u>1,807</u>	<u>1,903</u>	-5%	<u>901</u>	<u>814</u>	11%	<u>2,708</u>	<u>2,717</u>	0%
Current liabilities	<u>1</u>	<u>1</u>	-	<u>98</u>	<u>98</u>	-	<u>99</u>	<u>99</u>	0%
<b>Total liabilities</b>	<u>1</u>	<u>1</u>	-	<u>98</u>	<u>98</u>	-	<u>99</u>	<u>99</u>	0%
Net position									
Restricted	1,555	1,533	1%	-	-	-	1,555	1,533	1%
Unrestricted (deficit)	251	369	-32%	803	716	12%	1,054	1,085	-3%
<b>Total net position</b>	<u>\$ 1,806</u>	<u>\$ 1,902</u>	-5%	<u>\$ 803</u>	<u>\$ 716</u>	12%	<u>\$ 2,609</u>	<u>\$ 2,618</u>	0%

**CITY OF PRAGUE, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2024**

**Revenues, Expenses and Changes in Net Position (Modified Cash Basis – In Thousands)**  
**Year Ended June 30, 2024**

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>	
<b>Revenues</b>									
Charges for service	\$ 317	\$ 308	3%	\$ 3,451	\$ 3,812	-9%	\$ 3,768	\$ 4,120	-9%
Operating grants and contributions	38	86	-56%	147	174	-16%	185	260	-29%
Capital grants and contributions	460	144	219%	-	-	-	460	144	219%
Taxes	1,989	1,950	2%	-	-	-	1,989	1,950	2%
Intergovernmental revenue	50	260	-81%	-	-	-	50	260	-81%
Investment income	12	7	71%	1	-	-	13	7	86%
Miscellaneous	369	170	117%	20	59	-66%	389	229	70%
<b>Total revenues</b>	<u>3,235</u>	<u>2,925</u>	11%	<u>3,619</u>	<u>4,045</u>	-11%	<u>6,854</u>	<u>6,970</u>	-2%
<b>Expenses</b>									
General government	362	297	22%	-	-	-	362	297	22%
Public safety	1,356	1,274	6%	-	-	-	1,356	1,274	6%
Streets	289	141	105%	-	-	-	289	141	105%
Culture, parks and recreation	622	621	0%	-	-	-	622	621	0%
Cemetery	9	4	125%	-	-	-	9	4	125%
Airport	516	100	416%	-	-	-	516	100	416%
Electric	-	-	-	2,528	2,727	-7%	2,528	2,727	-7%
Water	-	-	-	420	383	10%	420	383	10%
Wastewater	-	-	-	161	142	13%	161	142	13%
Sanitation	-	-	-	437	396	10%	437	396	10%
Hospital	-	-	-	163	162	1%	163	162	1%
<b>Total expenses</b>	<u>3,154</u>	<u>2,437</u>	29%	<u>3,709</u>	<u>3,810</u>	-3%	<u>6,863</u>	<u>6,247</u>	10%
Excess (deficiency) before transfers	81	488	-83%	(90)	235	-138%	(9)	723	-101%
Transfers	(177)	372	-148%	177	(372)	-148%	-	-	-
<b>Change in net position</b>	(96)	860	-111%	87	(137)	-164%	(9)	723	-101%
<b>Beginning 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%
<b>Ending net position</b>	<u>\$ 1,806</u>	<u>\$ 1,902</u>	-5%	<u>\$ 803</u>	<u>\$ 716</u>	12%	<u>\$ 2,609</u>	<u>\$ 2,618</u>	0%

Governmental net position decreased by \$96 thousand due to a decrease in cash. This decrease in cash was mainly caused by an increase in airport-related expenditures of \$416 thousand, primarily for the Runway Lighting Project. The airport expenses were partially offset by the receipt of \$360 thousand of Federal Aviation Administration (FAA) Grant money, which contributed to the increase in capital grants and contributions of \$316 thousand. Additionally, miscellaneous revenues increased \$199 thousand due to insurance proceeds from the Oklahoma Municipal Assurance Group (OMAG) for hail damage to City property.

Business-type net position increased approximately \$87 thousand due to an increase in cash arising mainly from a positive net transfers amount of \$177 thousand. The change in net transfers of \$549 thousand was primarily caused by a decrease in transfers to the Capital Improvement Funds for capital projects.

**CITY OF PRAGUE, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2024**

**Governmental Activities**

The City's governmental activities had a decrease in net position of \$96,520. See explanations above.

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

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>	
General government	\$ 362	\$ 297	22%	(\$336)	(\$253)	33%
Public safety	1,356	1,274	6%	(1,172)	(1,076)	9%
Streets	289	141	105%	(268)	(120)	123%
Culture, parks and recreation	622	621	0%	(431)	(498)	-13%
Cemetery	9	4	125%	11	14	-21%
Airport	516	100	416%	(143)	34	-521%
<b>Total</b>	<u>\$ 3,154</u>	<u>\$ 2,437</u>	29%	<u>(\$2,339)</u>	<u>(\$1,899)</u>	23%

**Business-type Activities**

The business-type activities had an increase in net position of \$87,557. 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>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>	
Electric	\$ 2,528	\$ 2,727	-7%	\$ (236)	\$ (41)	476%
Water	420	383	10%	20	51	-61%
Wastewater	161	142	13%	143	162	-12%
Sanitation	437	396	10%	(55)	(47)	17%
Hospital	163	162	1%	18	51	-65%
<b>Total</b>	<u>\$ 3,709</u>	<u>\$ 3,810</u>	-3%	<u>\$ (110)</u>	<u>\$ 176</u>	-163%

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

As the City completed its 2024 fiscal year, the governmental funds reported a combined total fund balance of \$1,805,684.

**Other fund highlights include:**

- For the year ended June 30, 2024, the General Fund's total fund balance decreased by \$91,146, along with a \$112,987 decrease in fund balance in the Capital Improvement Fund and a \$101,681 increase in fund balance in the Emergency Reserve Fund.



### **Budgetary Highlights**

For the year ended June 30, 2024, the General Fund reported actual budgetary basis revenues over final estimates by \$366,608 or a 16.0% positive variance. General Fund actual expenditures were over final appropriations by \$343,144 or a 14.2% negative 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, operated by The Prague Healthcare Authority, is functioning well, but is Working out of 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**  
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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, 2024

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,859,154	\$ 838,667	\$ 2,697,821
Investments	10,000	-	10,000
Internal balances	(62,238)	62,238	-
Total Assets	<u>1,806,916</u>	<u>900,905</u>	<u>2,707,821</u>
<b>LIABILITIES</b>			
Due to other governments	1,232	5,483	6,715
Due to depositors	-	92,270	92,270
Total Liabilities	<u>1,232</u>	<u>97,753</u>	<u>98,985</u>
<b>NET POSITION</b>			
Restricted for:			
Library	10,131	-	10,131
Streets	285,456	-	285,456
Special projects	762,569	-	762,569
Capital projects	469,646	-	469,646
Insurance	27,169	-	27,169
Unrestricted	250,713	803,152	1,053,865
Total Net Position	<u>\$ 1,805,684</u>	<u>\$ 803,152</u>	<u>\$ 2,608,836</u>

See accompanying notes to these financial statements.

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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	Operating	Capital Grants	Governmental	Business-type	Total
		Services	Grants and Contributions	and Contributions	Activities	Activities	
<b>Primary government:</b>							
Governmental Activities:							
General Government	\$ 361,874	\$ 25,950	\$ -	\$ -	\$ (335,924)	\$ -	\$ (335,924)
Public Safety	1,355,630	173,072	10,977	-	(1,171,581)	-	(1,171,581)
Highways and Streets	289,403	-	21,744	-	(267,659)	-	(267,659)
Culture and Recreation	621,624	85,422	5,060	100,000	(431,142)	-	(431,142)
Cemetery	9,125	19,866	-	-	10,741	-	10,741
Airport	516,339	12,985	-	360,247	(143,107)	-	(143,107)
Total governmental activities	3,153,995	317,295	37,781	460,247	(2,338,672)	-	(2,338,672)
Business-type activities:							
Electric	2,528,315	2,292,124	-	-	-	(236,191)	(236,191)
Water	420,107	440,096	-	-	-	19,989	19,989
Sewer	160,913	303,930	-	-	-	143,017	143,017
Sanitation	437,109	382,194	-	-	-	(54,915)	(54,915)
Hospital	162,487	33,000	147,571	-	-	18,084	18,084
Total business-type activities	3,708,931	3,451,344	147,571	-	-	(110,016)	(110,016)
Total primary government	6,862,926	3,768,639	185,352	460,247	(2,338,672)	(110,016)	(2,448,688)
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					\$ 1,957,940	\$ -	\$ 1,957,940
Franchise taxes and public service taxes					31,113	-	31,113
Intergovernmental revenue not restricted to specific programs					49,653	-	49,653
Unrestricted investment earnings					11,309	397	11,706
Miscellaneous					369,313	20,000	389,313
Transfers					(177,176)	177,176	-
Total general revenues and transfers					2,242,152	197,573	2,439,725
Change in net position					(96,520)	87,557	(8,963)
Net position - beginning					1,902,204	715,595	2,617,799
Net position - ending					\$ 1,805,684	\$ 803,152	\$ 2,608,836

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, 2024**

	<u>General Fund</u>	<u>Emergency Reserve Fund</u>	<u>Capital Improvement Fund</u>	<u>Street Improvement Sales Tax Fund</u>	<u>Airport Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents	306,204	\$ 764,197	\$ 500,517	\$ 273,518	\$ 1,616	\$ 13,102	\$ 1,859,154
Investments	10,000	-	-	-	-	-	10,000
Due from other funds	6,506	-	-	53,045	-	-	59,551
Total assets	<u>322,710</u>	<u>764,197</u>	<u>500,517</u>	<u>326,563</u>	<u>1,616</u>	<u>13,102</u>	<u>1,928,705</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Due to other governments	1,232	-	-	-	-	-	1,232
Due to other funds	115,283	1,628	3,251	1,627	-	-	121,789
Total liabilities	<u>116,515</u>	<u>1,628</u>	<u>3,251</u>	<u>1,627</u>	<u>-</u>	<u>-</u>	<u>123,021</u>
Fund balances:							
Restricted for:							
Library	9,916	-	-	-	-	-	9,916
Streets	-	-	-	285,456	-	-	285,456
Insurance	27,169	-	-	-	-	-	27,169
Emergency Reserve	-	723,546	-	-	-	-	723,546
Capital projects	-	-	469,646	-	-	-	469,646
Assigned to:							
Cemetery	-	-	-	-	-	12,100	12,100
E911	-	-	-	-	-	34	34
Streets	-	-	-	39,480	-	-	39,480
Library	215	-	-	-	-	-	215
Emergency Reserve	-	39,023	-	-	-	-	39,023
Capital projects	-	-	27,620	-	-	450	28,070
Airport	-	-	-	-	1,616	-	1,616
Fire	-	-	-	-	-	518	518
Unassigned	168,895	-	-	-	-	-	168,895
Total fund balances	<u>206,195</u>	<u>762,569</u>	<u>497,266</u>	<u>324,936</u>	<u>1,616</u>	<u>13,102</u>	<u>1,805,684</u>
Total liabilities and fund balances	<u>\$ 322,710</u>	<u>\$ 764,197</u>	<u>\$ 500,517</u>	<u>\$ 326,563</u>	<u>\$ 1,616</u>	<u>\$ 13,102</u>	<u>\$ 1,928,705</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, 2024**

	<b>General Fund</b>	<b>Emergency Reserve Fund</b>	<b>Capital Improvement Fund</b>	<b>Street Improvement Sales Tax Fund</b>	<b>Airport Grant Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>							
Taxes	\$ 1,586,588	\$ 100,616	\$ 201,232	\$ 100,617	\$ -	\$ -	\$ 1,989,053
Intergovernmental	551,734	-	-	21,744	-	-	573,478
Charges for services	225,001	-	-	-	-	4,497	229,498
Fines and forfeitures	36,866	-	-	-	-	-	36,866
Licenses and permits	25,134	-	-	-	-	-	25,134
Investment income	4,147	1,065	1,419	4,588	-	90	11,309
Miscellaneous	369,313	-	-	-	-	-	369,313
Total revenues	<u>2,798,783</u>	<u>101,681</u>	<u>202,651</u>	<u>126,949</u>	<u>-</u>	<u>4,587</u>	<u>3,234,651</u>
<b>EXPENDITURES</b>							
Current:							
General government	256,775	-	-	-	-	-	256,775
Public Safety	1,281,866	-	-	-	-	18,000	1,299,866
Highway and streets	96,514	-	-	9,515	-	-	106,029
Culture and recreation	563,564	-	-	-	-	-	563,564
Cemetery	-	-	-	-	-	9,125	9,125
Airport	41,480	-	-	-	-	-	41,480
Capital Outlay	-	-	279,338	119,149	474,859	3,810	877,156
Total Expenditures	<u>2,240,199</u>	<u>-</u>	<u>279,338</u>	<u>128,664</u>	<u>474,859</u>	<u>30,935</u>	<u>3,153,995</u>
Excess (deficiency) of revenues over expenditures	<u>558,584</u>	<u>101,681</u>	<u>(76,687)</u>	<u>(1,715)</u>	<u>(474,859)</u>	<u>(26,348)</u>	<u>80,656</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	354	475,500	33,000	508,854
Transfers out	(649,730)	-	(36,300)	-	-	-	(686,030)
Total other financing sources and uses	<u>(649,730)</u>	<u>-</u>	<u>(36,300)</u>	<u>354</u>	<u>475,500</u>	<u>33,000</u>	<u>(177,176)</u>
Net change in fund balances	(91,146)	101,681	(112,987)	(1,361)	641	6,652	(96,520)
Fund balances - June 30, 2023, as previously reported	297,341	660,888	610,253	326,297	-	7,425	1,902,204
Restatements (see Note 9)	-	-	-	-	975	(975)	-
Fund balances, June 30, 2023, as restated	<u>297,341</u>	<u>660,888</u>	<u>610,253</u>	<u>326,297</u>	<u>975</u>	<u>6,450</u>	<u>1,902,204</u>
Fund balances - ending June 30, 2024	<u>\$ 206,195</u>	<u>\$ 762,569</u>	<u>\$ 497,266</u>	<u>\$ 324,936</u>	<u>\$ 1,616</u>	<u>\$ 13,102</u>	<u>\$ 1,805,684</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, 2024**

	<b>Public Works Authority</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 743,596
Restricted:	
Restricted cash and cash equivalents	95,071
Due from other funds	62,238
Total assets	<u>900,905</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Due to other governments	5,483
Due to depositors	92,270
Total liabilities	<u>97,753</u>
<b>NET POSITION</b>	
Unrestricted	803,152
Total net position	<u>\$ 803,152</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, 2024**

	<b>Public Works Authority</b>
<b>Operating Revenues:</b>	
Charges for services:	
Electric	\$ 2,283,506
Water	438,440
Sewer	302,787
Sanitation	380,004
Landfill charges	757
Miscellaneous	12,850
Total operating revenues	<u>3,418,344</u>
<b>OPERATING EXPENSES</b>	
Municipal Garage	20,585
Administration	620,842
Electric	2,077,511
Water	337,508
Sewer	103,870
Sanitation	365,519
Total Operating Expenses	<u>3,525,835</u>
Operating income	<u>(107,491)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	397
Hospital rent	33,000
OMPA Cups	20,000
Transfer from Health Care Authority	147,571
Debt service:	
Principal retirement	(140,171)
Interest expense and fees	(42,925)
Total non-operating revenue	<u>17,872</u>
Income (loss) before transfers	<u>(89,619)</u>
Transfers in	195,176
Transfers out	(18,000)
Change in net position	<u>87,557</u>
Total net position - beginning	715,595
Total net position - ending	<u><u>\$ 803,152</u></u>

See accompanying notes to these financial statements.

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

	<b>Public Works Authority</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 3,418,344
Payments to suppliers	(2,718,636)
Payments to employees	(804,442)
Payment to other fund	(13,642)
Payment of customer meter deposits	(3,235)
Other receipts	200,571
<b>Net cash provided by operating activities</b>	<b>78,960</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	195,176
Transfers to other funds	(18,000)
<b>Net cash provided by noncapital financing activities</b>	<b>177,176</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on debt	(140,171)
Interest and fiscal agent fees paid on debt	(42,925)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(183,096)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	397
<b>Net cash provided by investing activities</b>	<b>397</b>
<b>Net increase in cash and cash equivalents</b>	<b>73,437</b>
<b>Balances - beginning of year</b>	<b>765,230</b>
<b>Balances - end of year</b>	<b>\$ 838,667</b>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 743,596
Restricted cash and cash equivalents - current	95,071
Total cash and cash equivalents, end of year	<b>\$ 838,667</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>	
Operating income (loss)	\$ (107,491)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Miscellaneous revenue	200,571
Change in assets and liabilities:	
Due from other funds	(13,642)
Due to other governments	2,757
Deposits subject to refund	(3,235)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 78,960</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, and excluded from the City's reporting entity.

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 and permits
- Public safety: Fine revenue and operating 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 capital 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
- **Airport Grant Fund** – a capital project fund that accounts for activity related to airport grant expenditures.

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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

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 include 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 related to compensated absences are recorded when paid. The amount of accrued

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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 non-spendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Non-spendable – 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, 2024, the City recognized \$11,706 of investment income. At June 30, 2024, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Carrying Value</u>
<b>Deposits:</b>		
Demand deposits		\$ 778,126
Petty cash		1,563
Time deposit	10/5/2024	<u>1,928,132</u>
<b>Total deposits and investments</b>		<u><u>\$ 2,707,821</u></u>
<b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 2,697,821
Investments		<u>10,000</u>
		<u><u>\$ 2,707,821</u></u>

*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, 2024, 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, 2024, 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, 2024, the investments were limited to a certificate of deposit with a maturity of no later than October 2024.

*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, 2024, 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, 2024 are as follows:

	Cash and cash equivalents
Utility Deposits	94,844
2020 Taxable Note P&I Account	227
Total	<u>\$ 95,071</u>

### **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, 2024, were as follows:

Due From	Due To	Amount	Nature of Balance
General Fund	Street Improvement Sales Tax	53,045	Deposited in incorrect fund
General Fund	PPWA	62,238	Deposited in incorrect fund
Capital Improvement	General Fund	3,251	Deposited in incorrect fund
Street Improvement Sales Tax	General Fund	1,627	Deposited in incorrect fund
Emergency Reserve	General Fund	1,628	Deposited in incorrect fund
Total		<u>\$ 121,789</u>	

##### Reconciliation to Fund Financial Statements:

	Due From	Due To	Net Internal Balances
Governmental Funds	\$ 59,551	\$ (121,789)	\$ (62,238)
Proprietary Funds	62,238		62,238
Total	<u>\$ 121,789</u>	<u>\$ (121,789)</u>	<u>\$ -</u>

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

Transfer From	Transfer To	Amount	Purpose of Transfer
PPWA	E911	\$ 18,000	Operating subsidy
General Fund	Street Improvement	354	Sales Tax
General Fund	PPWA	133,775	Operating subsidy
General Fund	PPWA	61,401	Operating subsidy for health insurance
General Fund	Airport Grant	454,200	Capital projects
Capital Improvement	Airport Grant	21,300	Capital projects
Capital Improvement	Cemetery Care	13,000	Capital projects
Capital Improvement	CDBG	2,000	Capital projects
Total		<u>\$ 704,030</u>	

##### Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 508,854	\$ (686,030)	\$ (177,176)
Proprietary Funds	195,176	(18,000)	177,176
	<u>\$ 704,030</u>	<u>\$ (704,030)</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 the Oklahoma State Police Pension and Retirement System and the Oklahoma State Firefighters' Pension and Retirement System, both of which are cost-sharing multiple-employer defined benefit pension plans administered by the State of Oklahoma. Additionally, for other City employees not covered by the other plans, the City of Prague maintains the Oklahoma Municipal Retirement Fund, an agent multiple-employer defined contribution pension 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>
2022	\$1,260	\$1,260
2023	\$1,200	\$1,200
2024	\$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>
2022	\$24,299	\$39,486
2023	\$28,666	\$46,582
2024	\$30,888	\$50,192

*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>
2022	\$22,518	\$36,030
2023	\$24,532	\$39,252
2024	\$27,543	\$44,069

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**8. Commitments and Contingencies**

*Long-term Debt Commitments:*

At June 30, 2024, 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.

60,303

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.

1,190,071

Balance Outstanding at June 30, 2024

\$ 1,250,374

Debt Service Requirements to Maturity

Year Ended June 30,	Business-type Notes Payable	
	(direct borrowings and direct placements)	
	Principal	Interest
2025	144,461	37,135
2026	149,139	32,457
2027	153,878	27,718
2028	139,564	23,140
2029	142,284	18,703
2030-2033	<u>521,048</u>	<u>28,468</u>
	<u>\$ 1,250,374</u>	<u>\$ 167,621</u>

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*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 \$1,354,449. 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 58% of pledged net utility revenues of \$92,908.

*Prague Healthcare Authority:*

The Prague Healthcare Authority, a blended component unit of the City, operating the Prague Regional Memorial Hospital mentioned above, has issued an audited Statement of Net Position showing a deficit net position of approximately \$2.5 million as of September 30, 2021. Current financial statements were not available at the time of this report.

*Lease Commitments:*

The City of Prague is a party as lessee for various noncancellable long-term leases of equipment including vehicles for numerous City departments and golf carts. Payments are made on a monthly basis for sixty consecutive months from the commencement date of each lease. The annualized total of all lease payments amounts to approximately \$58,332, with the final monthly lease payment occurring on May 1, 2029.

*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, 2024, is summarized as follows:

- City and PPWA– accrued compensated absences \$243,921

*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 2024, 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

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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, 2024, is \$223,514. The revenues received by the Counties for the City were \$80,844 and the expenditures for the fire department were \$21,312 for this fiscal year.

**9. Accounting Changes & Error Corrections**

Beginning with the fiscal year ended June 30, 2024, the Airport Grant fund met the quantitative threshold for presentation as a major fund. Due to this change, the Statement of Revenues, Expenditures and Changes in Fund Balances for Other Governmental Funds total beginning fund balance does not match the ending total fund balance of the prior fiscal year's financial statements. The effects of this accounting change to or within the financial reporting entity are summarized in the reconciliation below.

**Reconciliation of Changes to or Within the Financial Reporting Entity (Modified Cash Basis) – Year Ended June 30, 2024**

	Balance Before Restatement 6/30/2024	Restatement for Reclassification of Airport Grant Fund	Balance After Restatement 6/30/2024
Statement of Revenues, Expenditures and Changes in Fund Balances Other Governmental Funds - Fund Balances - Beginning	\$ 7,425	\$ (975)	\$ 6,450
Total Change	<u>\$ 7,425</u>	<u>\$ (975)</u>	<u>\$ 6,450</u>



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**SUPPLEMENTARY AND OTHER INFORMATION**

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

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ -	\$ 114,610	\$ 297,341	\$ 182,731
<b>Resources (Inflows):</b>				
Taxes	1,321,000	1,321,000	1,586,588	265,588
Intergovernmental	65,000	65,000	551,734	486,734
Charges for services	88,500	88,500	91,226	2,726
Fines and Forfeitures	40,000	40,000	36,866	(3,134)
Licenses and Permits	45,100	45,100	25,134	(19,966)
Investment Income	600	600	4,147	3,547
Miscellaneous	83,200	138,200	369,313	231,113
Transfers In	600,000	600,000	-	(600,000)
<b>Total Resources (Inflows)</b>	<u>2,243,400</u>	<u>2,298,400</u>	<u>2,665,008</u>	<u>366,608</u>
<b>Amounts available for appropriation</b>	<u>\$ 2,243,400</u>	<u>\$ 2,413,010</u>	<u>\$ 2,962,349</u>	<u>\$ 549,339</u>
<b>Charges to Appropriations (Outflows):</b>				
General government	256,900	286,900	256,775	30,125
Public safety	1,307,800	1,366,800	1,281,866	84,934
Highways and streets	92,000	102,000	96,514	5,486
Culture and recreation	536,260	612,260	563,564	48,696
Airport	45,050	45,050	41,480	3,570
Transfers Out	-	-	515,955	(515,955)
<b>Total Charges to Appropriations</b>	<u>2,238,010</u>	<u>2,413,010</u>	<u>2,756,154</u>	<u>(343,144)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 5,390</u>	<u>\$ -</u>	<u>\$ 206,195</u>	<u>\$ 206,195</u>

	EMERGENCY RESERVE FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ -	\$ -	\$ 660,888	\$ 660,888
<b>Resources (Inflows):</b>				
Taxes	86,250	86,250	100,616	14,366
Investment Income	1,000	1,000	1,065	65
<b>Total Resources (Inflows)</b>	<u>87,250</u>	<u>87,250</u>	<u>101,681</u>	<u>14,431</u>
<b>Amounts available for appropriation</b>	<u>\$ 87,250</u>	<u>\$ 87,250</u>	<u>\$ 762,569</u>	<u>\$ 675,319</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 87,250</u>	<u>\$ 87,250</u>	<u>\$ 762,569</u>	<u>\$ 675,319</u>

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	AIRPORT GRANT FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ -	\$ -	\$ 975	\$ 975
<b>Resources (Inflows):</b>				
Intergovernmental	500,000	500,000	-	(500,000)
Transfer In	-	-	475,500	475,500
<b>Total Resources (Inflows)</b>	<u>500,000</u>	<u>500,000</u>	<u>475,500</u>	<u>(24,500)</u>
<b>Amounts available for appropriation</b>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 476,475</u>	<u>\$ (23,525)</u>
<b>Charges to Appropriations (Outflows):</b>				
Airport	500,000	500,000	474,859	25,141
<b>Total Charges to Appropriations</b>	<u>500,000</u>	<u>500,000</u>	<u>474,859</u>	<u>25,141</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,616</u>	<u>\$ 1,616</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 appropriations within a fund require the City Manager's approval, while supplemental appropriations require City Council approval.
3. Expenditures exceeded appropriations in the following departments:
  - General Fund – Transfers out \$515,955

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**Non-Major Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2024**

	<b>Cemetery Care Fund</b>	<b>E911 Fund</b>	<b>CDBG Grant Fund</b>	<b>Fire Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 12,100	\$ 34	\$ 450	\$ 518	\$ 13,102
Total assets	<u>12,100</u>	<u>34</u>	<u>450</u>	<u>518</u>	<u>13,102</u>
Fund balances:					
Assigned to:					
Cemetery	12,100	-	-	-	12,100
E911	-	34	-	-	34
CDBG Grant	-	-	450	-	450
Fire	-	-	-	518	518
Total fund balances	<u>12,100</u>	<u>34</u>	<u>450</u>	<u>518</u>	<u>13,102</u>
Total liabilities and fund balances	<u>\$ 12,100</u>	<u>\$ 34</u>	<u>\$ 450</u>	<u>\$ 518</u>	<u>\$ 13,102</u>

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

	<b>Cemetery Care Fund</b>	<b>E911 Fund</b>	<b>CDBG Grant Fund</b>	<b>Fire Fund</b>	<b>Airport Grant Fund</b>	<b>Total-Other Governmental Funds</b>
<b>REVENUES</b>						
Charges for services	\$ 4,497	\$ -	\$ -	\$ -	\$ -	\$ 4,497
Investment income	89	-	-	1	-	90
Total revenues	<u>4,586</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>4,587</u>
<b>EXPENDITURES</b>						
Current:						
Public Safety	-	18,000	-	-	-	18,000
Cemetery	9,125	-	-	-	-	9,125
Capital Outlay	-	-	3,810	-	-	3,810
Total Expenditures	<u>9,125</u>	<u>18,000</u>	<u>3,810</u>	<u>-</u>	<u>-</u>	<u>30,935</u>
Excess (deficiency) of revenues over expenditures	<u>(4,539)</u>	<u>(18,000)</u>	<u>(3,810)</u>	<u>1</u>	<u>-</u>	<u>(26,348)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	13,000	18,000	2,000	-	-	33,000
Total other financing sources and uses	<u>13,000</u>	<u>18,000</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>33,000</u>
Net change in fund balances	8,461	-	(1,810)	1	-	6,652
Fund balances - June 30, 2023, as previously reported	3,639	34	2,260	517	975	7,425
Restatements (see Note 9)	-	-	-	-	(975)	(975)
Fund balances, June 30, 2023, as restated	<u>3,639</u>	<u>34</u>	<u>2,260</u>	<u>517</u>	<u>-</u>	<u>6,450</u>
Fund balances - ending June 30, 2024	<u>\$ 12,100</u>	<u>\$ 34</u>	<u>\$ 450</u>	<u>\$ 518</u>	<u>\$ -</u>	<u>\$ 13,102</u>

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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*

To the 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 (City) as of and for the year ended June 30, 2024, 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 November 15, 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. We issued an adverse opinion on the business-type activities due to the omission of the Prague Hospital Authority, a blended component unit of the City.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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.

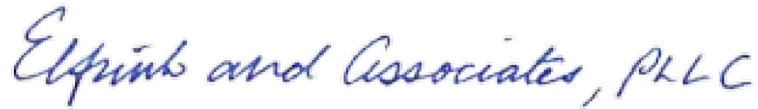
**Compliance and Other Matters**

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 script is cursive and fluid.

Elfrink and Associates, PLLC

Tulsa, Oklahoma

November 15, 2024