

The City of
PAULS VALLEY, OKLAHOMA



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

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

**THE CITY OF PAULS VALLEY,
OKLAHOMA**

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

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

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

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Pauls Valley, Oklahoma

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

HSPG & ASSOCIATES, PC

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Supplemental Information

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

Other information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

HSPG & Associate, P.C.

September 25, 2024

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

The management of the City of Pauls Valley (the "City") is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2023. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by \$1,456,351 and the assets of the City exceed its liabilities at June 30, 2023, by \$26,809,425 (net position). Of this amount, the unrestricted net position deficit is \$3,322,480.
- At June 30, 2023, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$6,869,818 compared to \$6,138,771 in FY 2022, an 11.9% increase.
- At the end of fiscal year 2023, unassigned fund balance on a modified cash basis for the General Fund was \$759,070 or 8.7% of General Fund revenues.

ABOUT THE CITY

The City of Pauls Valley is an incorporated municipality with a population of approximately 6,000 located in Garvin County in central Oklahoma. The City is a Council/Manager form of government and operates under home-rule charter that provides for three branches of government:

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

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, and parks and recreation and through its Municipal Authority and Airport Authority, certain utility services including water, wastewater, sanitation, and lake along with airport facilities.

The City's Financial Reporting Entity

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

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

- **The City of Pauls Valley (City)** – an incorporated City that operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City – *reported as the primary government*
- **The Pauls Valley Municipal Authority (PVMA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, sanitation, and lake services of the City, with the City Council members serving as the trustees (presented as a blended component unit, and considered part of the primary government)
- **The Pauls Valley Hospital Authority (PVHA)** – public trust created pursuant to 60 O.S. § 176 to provide health care services to the residents of the City of Pauls Valley and Garvin County (inactive component unit)
- **The Pauls Valley Ambulance Service District No. 1 (PVASD)**– corporation created pursuant to Title 19 of the Oklahoma statutes to provide ambulance service to the City of Pauls Valley. PVASD is a 522 District. The PVASD contracts with Mercy Hospital, Ada to provide this service. The Special Ambulance Fund reports the PVASD's activities. (presented as a blended component unit)
- **The Pauls Valley Airport Authority (PVAA)** – public trust created pursuant to 60 O.S. § 176 to provide airport services to the residents of the City of Pauls Valley and Garvin County (presented as a discretely-presented component unit)
- **The Pauls Valley Urban Renewal Authority** – public trust created pursuant to 60 O.S. § 176 to identify dilapidated and/or abandoned structures and encourage the owners to rehabilitate the structures or purchase the structures using eminent domain. (inactive component unit)

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Pauls Valley (the "City"), the Pauls Valley Municipal Authority (the "Municipal Authority"), the Pauls Valley Airport Authority and the Pauls Valley Ambulance Service District No. 1. Included in this report are government wide statements for each of the two categories of activities - governmental and business-type, and a separate column for the discretely-presented component unit.

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The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt), within the context of the modified cash basis of accounting.

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 three 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 water, sewer, and sanitation utilities are reported as business-type activities. *Discretely-presented component units* - These account for activities of the City's reporting entity that do not meet the criteria for blending, and includes the Airport Authority.

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. The City's two kinds of funds - *governmental and proprietary* - use different accounting approaches.

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 and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer

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financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - The City operates one proprietary fund, the Pauls Valley Municipal Authority (a major enterprise fund). When the City, through the Municipal Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary fund, the Pauls Valley Municipal Authority, 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 28-49 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 One Cent Sales Tax Fund, combining and individual fund financial statements and schedules and federal and state award schedules.

THE CITY AS A WHOLE

For the year ended June 30, 2023, net position on a modified cash basis for the governmental and business-type activities increased \$1,456,351.

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

TABLE 1
NET POSITION (In Thousands)
Modified Cash Basis

	Governmental Activities			Business-Type Activities			Total		
	2023	2022		2023	2022		2023	2022	
Current and other assets	\$ 6,872	\$ 6,140	12%	\$ 2,142	\$ 2,913	-26%	\$ 9,014	\$ 9,053	-
Capital assets, net	15,710	16,398	-4%	18,609	18,256	2%	34,319	34,654	-1%
Total assets	22,582	22,538	-	20,751	21,169	-2%	43,333	43,707	-1%
Current liabilities	2	1	100%	-	-	-	2	1	100%
Non-current liabilities	11,093	12,365	-10%	5,429	5,988	-9%	16,522	18,353	-10%
Total liabilities	11,095	12,366	-10%	5,429	5,988	-9%	16,524	18,354	-10%
Net position									
Net investment in capital assets	10,923	11,029	-1%	13,344	12,429	7%	24,267	23,458	3%
Restricted	5,651	4,992	13%	221	533	-59%	5,872	5,525	6%
Unrestricted (deficit)	(5,087)	(5,849)	-13%	1,757	2,219	-21%	(3,330)	(3,630)	-8%
Total net position	\$ 11,487	\$ 10,172	13%	\$ 15,322	\$ 15,181	1%	\$ 26,809	\$ 25,353	6%

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. At year end, the net investment in capital assets amounted to \$24,267,390.

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Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 2
CHANGES IN NET POSITION (In Thousands)
Modified Cash Basis

	<u>Governmental Activities</u>		<u>% Inc. (Dec.)</u>	<u>Business-Type Activities</u>		<u>% Inc. (Dec.)</u>	<u>Total</u>		<u>% Inc. (Dec.)</u>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Revenues									
Charges for service	\$ 1,483	\$ 1,354	10%	\$ 3,890	\$ 3,904	-	\$ 5,373	\$ 5,258	2%
Operating grants and contributions	139	162	-14%	536	534	-	675	696	-3%
Capital grants and contributions	70	-	100%	-	-	-	70	-	100%
Taxes	9,727	9,355	4%	-	-	-	9,727	9,355	4%
Investment income	30	26	15%	17	5	240%	47	31	52%
Miscellaneous	111	155	-28%	57	57	-	168	212	-21%
Total revenues	<u>11,560</u>	<u>11,052</u>	5%	<u>4,500</u>	<u>4,500</u>	-	<u>16,060</u>	<u>15,552</u>	3%
Expenses									
General government	1,186	1,005	18%	-	-	-	1,186	1,005	18%
Public safety	2,890	2,856	1%	-	-	-	2,890	2,856	1%
Streets	1,374	1,330	3%	-	-	-	1,374	1,330	3%
Culture, parks and recreation	2,955	2,795	6%	-	-	-	2,955	2,795	6%
Economic Development	423	358	18%	-	-	-	423	358	18%
Cemetery	281	245	15%	-	-	-	281	245	15%
Airport	40	38	5%	-	-	-	40	38	5%
Hospital	-	22	-100%	-	-	-	-	22	-100%
Interest on long-term debt	462	498	-7%	-	-	-	462	498	-7%
Water	-	-	-	1,985	1,802	10%	1,985	1,802	10%
Sewer	-	-	-	883	746	18%	883	746	18%
Sanitation	-	-	-	2,000	2,699	-26%	2,000	2,699	-26%
Lake	-	-	-	125	112	12%	125	112	12%
Total expenses	<u>9,611</u>	<u>9,147</u>	5%	<u>4,993</u>	<u>5,359</u>	-7%	<u>14,604</u>	<u>14,506</u>	1%
Excess (deficiency) before transfers	1,949	1,905	2%	(493)	(859)	-43%	1,456	1,046	39%
Transfers	(634)	(1,597)	-60%	634	1,597	-60%	-	-	-
Change in net position	1,315	308	327%	141	738	-81%	1,456	1,046	39%
Beginning net position	10,172	9,864	3%	15,181	14,443	5%	25,353	24,307	4%
Ending net position	<u>\$ 11,487</u>	<u>\$ 10,172</u>	13%	<u>\$ 15,322</u>	<u>\$ 15,181</u>	1%	<u>\$ 26,809</u>	<u>\$ 25,353</u>	6%

Governmental Activities

The City's governmental activities had an increase in net position of \$1,315,285.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>	
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>
General Government	\$ 1,186	\$ 1,005	18%	\$ (1,096)	\$ (952)
Public Safety	2,890	2,856	1%	(2,709)	(2,627)
Streets	1,374	1,330	3%	(1,320)	(1,272)
Culture and Recreation	2,955	2,795	6%	(1,800)	(1,804)
Economic Development	423	358	18%	(258)	(225)
Cemetery	281	245	15%	(236)	(193)
Airport	18	38	-53%	(18)	(37)
Hospital	22	22	-	(22)	(22)
Interest on long-term debt	462	498	-7%	(462)	(499)
Total	<u>\$ 9,611</u>	<u>\$ 9,147</u>	5%	<u>\$ (7,921)</u>	<u>\$ (7,631)</u>

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Business-Type Activities

The business-type activities had an increase in net position of \$141,066.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services	
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>
Water	\$ 1,985	\$ 1,802	10%	\$ (497)	\$ (426)
Sewer	883	746	18%	(313)	(213)
Sanitation	2,000	2,699	-26%	(251)	(770)
Lake	125	112	12%	(43)	(47)
Total	<u>\$ 4,993</u>	<u>\$ 5,359</u>	-7%	<u>\$ (1,104)</u>	<u>\$ (1,456)</u>

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2023 fiscal year, the governmental funds reported a combined fund balance of \$6,869,818. For the year ended June 30, 2023, the General Fund's total fund balance decreased by \$20,595. The One Cent Sales Tax Fund reported an increase in fund balance of \$445,268 while the TIF Fund reported an increase in fund balance of \$225,349. The proprietary funds reported a combined total net position balance of \$15,322,536. During FY23, the proprietary funds total net position increased by \$141,066.

Budgetary Highlights

For the year ended June 30, 2023, the General Fund reported actual modified cash basis revenues under final estimates by \$45,839 or a 0.4% negative variance. General Fund actual expenditures were under final appropriations by \$143,242 or a 1.3% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2023, the City had approximately \$34.3 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets for the year ended June 30, 2023.¹

¹ For more detailed information on capital asset activity please refer to Note 3. Capital Assets and Depreciation.

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TABLE 5
Capital Assets
(In Thousands)
(Net of accumulated depreciation)
(With comparative data shown for FY 2022)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 722	\$ 722	\$ 1,167	\$ 1,167	\$ 1,889	\$ 1,889
Intangibles	50	50	-	-	50	50
Buildings	8,076	8,655	92	105	8,168	8,760
Improvements	2,261	2,234	10,202	9,486	12,463	11,720
Machinery, furniture and equipment	560	484	579	523	1,139	1,007
Infrastructure	3,935	4,253	6,569	6,975	10,504	11,228
Construction in progress	106	-	-	-	106	-
Totals	\$ 15,710	\$ 16,398	\$ 18,609	\$ 18,256	\$ 34,319	\$ 34,654

This year's more significant capital asset additions include three (3) 2022 Ford Explorers, a 2022 Komatsu Excavator, new roofs at the police and fire stations, and completion of the automatic meter reader project.

Debt Administration

At year-end, the City had \$16.5 million in long-term debt outstanding, on a modified cash basis.

TABLE 6
Long-Term Debt
(In Thousands)
(With comparative data shown for FY 2022)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Notes payable	\$ 11,092	\$ 12,365	\$ 5,266	\$ 5,828	\$ 16,358	\$ 18,193	-10.1%
Deposits subject to refund	-	-	164	160	164	160	2.5%
Totals	\$ 11,092	\$ 12,365	\$ 5,430	\$ 5,988	\$ 16,522	\$ 18,353	-10.0%

Economic Factors and Next Year's Budget

In July 2023, Wynn Construction began work on the \$1.1 million Water Plant Repair Project. The project will be partially funded by a \$1 million USDA Grant.

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 100 West Paul Avenue, Pauls Valley, Oklahoma 73075 or telephone at 405-238-3308.

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

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

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

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

	Governmental Activities	Business-type Activities	Total	Pauls Valley Airport Authority
ASSETS				
Cash and cash equivalents	\$ 5,905,263	\$ 1,641,419	\$ 7,546,682	\$ 55,264
Investments	697,098	-	697,098	103,666
Advance due from (to) component unit	12,100	-	12,100	(12,100)
Internal balances	(4,885)	4,885	-	-
Restricted cash and cash equivalents	262,608	353,870	616,478	-
Restricted investments	-	142,174	142,174	-
Capital assets:				
Land, intangibles and construction in progress	877,650	1,166,941	2,044,591	1,019,793
Other capital assets, net of depreciation	14,831,894	17,442,635	32,274,529	4,615,172
Total assets	<u>22,581,728</u>	<u>20,751,924</u>	<u>43,333,652</u>	<u>5,781,795</u>
LIABILITIES				
Due to other governments	2,366	-	2,366	-
Long-term liabilities:				
Due within one year	997,598	748,396	1,745,994	-
Due in more than one year	10,094,875	4,680,992	14,775,867	-
Total liabilities	<u>11,094,839</u>	<u>5,429,388</u>	<u>16,524,227</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	10,923,487	13,343,903	24,267,390	5,634,965
Restricted for:				
Permanent endowment	50,000	-	50,000	-
Statutory requirements	559,774	-	559,774	-
Enabling legislation	5,041,259	-	5,041,259	-
Other	-	220,832	220,832	-
Unrestricted (deficit)	(5,087,631)	1,757,801	(3,329,830)	146,830
Total net position	<u>\$ 11,486,889</u>	<u>\$ 15,322,536</u>	<u>\$ 26,809,425</u>	<u>\$ 5,781,795</u>

See accompanying notes to these financial statements.

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

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

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Pauls Valley Airport Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 1,185,844	\$ 69,358	\$ 20,053	\$ -	\$ (1,096,433)	\$ -	\$ (1,096,433)	\$ -
Public Safety	2,890,195	159,497	9,453	12,137	(2,709,108)	-	(2,709,108)	-
Highways and Streets	1,373,977	-	54,093	-	(1,319,884)	-	(1,319,884)	-
Culture and Recreation	2,955,100	1,045,532	51,192	58,360	(1,800,016)	-	(1,800,016)	-
Economic Development	423,274	165,596	-	-	(257,678)	-	(257,678)	-
Cemetery	280,917	43,309	1,240	-	(236,368)	-	(236,368)	-
Airport	17,903	-	-	-	(17,903)	-	(17,903)	-
Airport (transfer to component unit)	21,600	-	-	-	(21,600)	-	(21,600)	-
Interest on Long-term debt and fiscal agent fees	461,889	-	-	-	(461,889)	-	(461,889)	-
Total governmental activities	9,610,699	1,483,292	136,031	70,497	(7,920,879)	-	(7,920,879)	-
Business-type Activities:								
Water	1,984,472	1,487,198	-	-	-	(497,274)	(497,274)	-
Sewer	883,488	570,738	-	-	-	(312,750)	(312,750)	-
Sanitation	2,000,236	1,749,656	-	-	-	(250,580)	(250,580)	-
Lake	125,135	82,077	-	-	-	(43,058)	(43,058)	-
Total business-type activities	4,993,331	3,889,669	-	-	-	(1,103,662)	(1,103,662)	-
Total primary government	\$ 14,604,030	\$ 5,372,961	\$ 136,031	\$ 70,497	(7,920,879)	(1,103,662)	(9,024,541)	-
Component unit:								
Pauls Valley Airport Authority	\$ 901,634	\$ 536,376	\$ -	\$ 1,262,042				918,384
Total component unit	\$ 901,634	\$ 536,376	\$ -	\$ 1,262,042				\$ 918,384
General revenues:								
Taxes:								
Sales and use taxes					8,679,720	-	8,679,720	-
Franchise taxes and other taxes					1,047,009	-	1,047,009	-
Intergovernmental revenue not restricted to specific programs					2,545	536,085	538,630	-
Unrestricted investment earnings					30,066	16,794	46,860	476
Miscellaneous					110,882	57,791	168,673	21,600
Transfers					(634,058)	634,058	-	-
Total general revenues and transfers					9,236,164	1,244,728	10,480,892	22,076
Change in net position					1,315,285	141,066	1,456,351	940,460
Net position - beginning					10,171,604	15,181,470	25,353,074	4,841,335
Net position - ending					\$ 11,486,889	\$ 15,322,536	\$ 26,809,425	\$ 5,781,795

See accompanying notes to these financial statements.

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

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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

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

	<u>General Fund</u>	<u>One Cent Sales Tax Fund</u>	<u>TIF Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,637,204	\$ 2,401,791	\$ 1,440,047	\$ 688,829	\$ 6,167,871
Investments	26,880	670,218	-	-	697,098
Advance due from component unit	12,100	-	-	-	12,100
Total assets	<u>\$ 1,676,184</u>	<u>\$ 3,072,009</u>	<u>1,440,047</u>	<u>\$ 688,829</u>	<u>\$ 6,877,069</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 4,885	\$ -	\$ -	\$ -	\$ 4,885
Due to other governments	2,366	-	-	-	2,366
Total liabilities	<u>7,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,251</u>
Fund balances:					
Nonspendable	-	-	-	50,000	50,000
Restricted for:					
Debt service	538,332	-	-	-	538,332
Capital improvements	285,489	2,837,659	1,440,047	8	4,563,203
Tourism	-	-	-	376,134	376,134
Senior citizens	-	-	-	1	1
Airport	-	-	-	48,442	48,442
Cemetery	-	-	-	34,252	34,252
Emergency medical services	-	-	-	40,669	40,669
Assigned for:					
Subsequent year budget	35,000	-	-	-	35,000
Capital improvements	51,042	234,350	-	8	285,400
Public safety	-	-	-	28,388	28,388
Library	-	-	-	69,072	69,072
Cemetery	-	-	-	41,855	41,855
Unassigned	759,070	-	-	-	759,070
Total fund balances	<u>1,668,933</u>	<u>3,072,009</u>	<u>1,440,047</u>	<u>688,829</u>	<u>6,869,818</u>
Total liabilities and fund balances	<u>\$ 1,676,184</u>	<u>\$ 3,072,009</u>	<u>\$ 1,440,047</u>	<u>\$ 688,829</u>	<u>\$ 6,877,069</u>

See accompanying notes to these financial statements.

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

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

	General Fund	One Cent Sales Tax Fund	TIF Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 7,145,878	\$ 1,874,251	\$ 245,590	\$ 461,010	\$ 9,726,729
Intergovernmental	157,875	-	-	32,538	190,413
Charges for services	1,091,624	-	-	153,445	1,245,069
Fines and forfeitures	151,253	-	-	-	151,253
Licenses and permits	51,486	-	-	-	51,486
Investment income	10,924	15,237	1,309	2,596	30,066
Miscellaneous	128,337	-	-	36,690	165,027
Total revenues	<u>8,737,377</u>	<u>1,889,488</u>	<u>246,899</u>	<u>686,279</u>	<u>11,560,043</u>
EXPENDITURES					
General government	1,037,798	-	-	-	1,037,798
Public safety	2,622,929	-	-	149,913	2,772,842
Highway and streets	630,430	-	-	-	630,430
Culture and recreation	2,139,974	-	-	22,587	2,162,561
Airport	39,503	-	-	-	39,503
Cemetery	267,848	-	-	-	267,848
Economic development	-	-	-	413,648	413,648
Capital Outlay	352,226	202,050	21,550	61,280	637,106
Debt Service:					
Principal	1,368,971	-	-	-	1,368,971
Interest and other charges	461,889	-	-	-	461,889
Total Expenditures	<u>8,921,568</u>	<u>202,050</u>	<u>21,550</u>	<u>647,428</u>	<u>9,792,596</u>
Excess (deficiency) of revenues over expenditures	<u>(184,191)</u>	<u>1,687,438</u>	<u>225,349</u>	<u>38,851</u>	<u>1,767,447</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	96,264	-	-	-	96,264
Transfers in	1,919,724	-	-	42,264	1,961,988
Transfers out	(1,852,392)	(1,242,170)	-	(90)	(3,094,652)
Total other financing sources and uses	<u>163,596</u>	<u>(1,242,170)</u>	<u>-</u>	<u>42,174</u>	<u>(1,036,400)</u>
Net change in fund balances	(20,595)	445,268	225,349	81,025	731,047
Fund balances - beginning	<u>1,689,528</u>	<u>2,626,741</u>	<u>1,214,698</u>	<u>607,804</u>	<u>6,138,771</u>
Fund balances - ending	<u>\$ 1,668,933</u>	<u>\$ 3,072,009</u>	<u>\$ 1,440,047</u>	<u>\$ 688,829</u>	<u>\$ 6,869,818</u>

See accompanying notes to these financial statements.

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

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$ 6,869,818
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position, net of accumulated depreciation of \$22,790,591.	
	15,709,544
Some liabilities are not due and payable in the current period and are not included in the fund financial statement are included in the governmental activities of the Statement of Net Position:	
Notes payable	(11,092,473)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 11,486,889</u>

See accompanying notes to these financial statements.

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$ 731,047
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report capital outlays for capital assets as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized (net of disposals)	992,971
Depreciation expense	(1,681,440)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Note payable principal payments	1,368,971
Debt proceeds	(96,264)
Change in net position of governmental activities	<u>\$ 1,315,285</u>

See accompanying notes to these financial statements.

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

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

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

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

	<u>PVMA</u>	<u>Other Non-Major Fund Capital Improvement</u>	<u>Proprietary Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,623,051	\$ 18,368	\$ 1,641,419
Restricted:			
Cash and cash equivalents	353,870	-	353,870
Due from other funds	4,885	-	4,885
Total current assets	<u>1,981,806</u>	<u>18,368</u>	<u>2,000,174</u>
Non-current assets:			
Restricted:			
Investments	142,174	-	142,174
Capital Assets:			
Land and construction in progress	1,166,941	-	1,166,941
Other capital assets, net of accumulated depreciation	17,442,635	-	17,442,635
Total non-current assets	<u>18,751,750</u>	<u>-</u>	<u>18,751,750</u>
Total assets	<u>20,733,556</u>	<u>18,368</u>	<u>20,751,924</u>
LIABILITIES			
Current Liabilities:			
Due to depositors	32,743	-	32,743
Notes payable	715,653	-	715,653
Total current liabilities	<u>748,396</u>	<u>-</u>	<u>748,396</u>
Non-current liabilities:			
Due to depositors	130,972	-	130,972
Notes payable	4,550,020	-	4,550,020
Total non-current liabilities	<u>4,680,992</u>	<u>-</u>	<u>4,680,992</u>
Total liabilities	<u>5,429,388</u>	<u>-</u>	<u>5,429,388</u>
NET POSITION			
Net investment in capital assets	13,343,903	-	13,343,903
Restricted for specific government services	220,832	-	220,832
Unrestricted	1,739,433	18,368	1,757,801
Total net position	<u>\$ 15,304,168</u>	<u>\$ 18,368</u>	<u>\$ 15,322,536</u>

See accompanying notes to these financial statements.

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

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

	PVMA	Other Non-Major Fund Sanitation Capital Improvement	Total Proprietary Funds
OPERATING REVENUES			
Water	\$ 1,475,504	\$ -	\$ 1,475,504
Sewer	566,250	-	566,250
Sanitation	1,728,248	7,650	1,735,898
Lake	82,077	-	82,077
Miscellaneous	29,940	-	29,940
Total operating revenues	<u>3,882,019</u>	<u>7,650</u>	<u>3,889,669</u>
OPERATING EXPENSES			
Water	1,050,519	-	1,050,519
Sewer	560,445	-	560,445
Sanitation	1,460,233	1,471	1,461,704
Lake	122,932	-	122,932
General government	753,311	-	753,311
Depreciation expense	885,030	-	885,030
Total operating expenses	<u>4,832,470</u>	<u>1,471</u>	<u>4,833,941</u>
Operating income (loss)	<u>(950,451)</u>	<u>6,179</u>	<u>(944,272)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	16,771	23	16,794
Gain on sale of capital assets	4,885	-	4,885
Grant revenue	536,085	-	536,085
Miscellaneous revenue	52,906	-	52,906
Interest expense and fiscal agent fees	(159,390)	-	(159,390)
Total non-operating revenue	<u>451,257</u>	<u>23</u>	<u>451,280</u>
Income (loss) before transfers	<u>(499,194)</u>	<u>6,202</u>	<u>(492,992)</u>
Transfers in	2,011,981	-	2,011,981
Transfers out	(1,377,923)	-	(1,377,923)
Change in net position	<u>134,864</u>	<u>6,202</u>	<u>141,066</u>
Total net position - beginning	<u>15,169,304</u>	<u>12,166</u>	<u>15,181,470</u>
Total net position - ending	<u>\$ 15,304,168</u>	<u>\$ 18,368</u>	<u>\$ 15,322,536</u>

See accompanying notes to these financial statements.

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

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

	PVMA	Other Non-Major Fund Sanitation Capital Improvement	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,930,040	\$ 7,650	\$ 3,937,690
Payments to suppliers	(2,258,262)	(1,471)	(2,259,733)
Payments to employees	(1,689,178)	-	(1,689,178)
Receipts of customer meter deposits	25,749	-	25,749
Refunds of customer meter deposits	(22,458)	-	(22,458)
Net cash provided by (used in) operating activities	(14,109)	6,179	(7,930)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	2,011,981	-	2,011,981
Transfers to other funds	(1,377,923)	-	(1,377,923)
Net cash provided by noncapital financing activities	634,058	-	634,058
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,238,248)	-	(1,238,248)
Proceeds from disposal of capital assets	4,885	-	4,885
Principal paid on debt	(769,800)	-	(769,800)
Proceeds from issuance of capital debt	207,787	-	207,787
Grant revenue	536,085	-	536,085
Interest and fiscal agent fees paid on debt	(159,390)	-	(159,390)
Net cash provided by (used in) capital and related financing activities	(1,418,681)	-	(1,418,681)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (purchase) of investments	(2,550)	-	(2,550)
Interest and dividends	16,771	23	16,794
Net cash provided by investing activities	14,221	23	14,244
Net increase (decrease) in cash and cash equivalents	(784,511)	6,202	(778,309)
Balances - beginning of year	2,761,432	12,166	2,773,598
Balances - end of year	\$ 1,976,921	\$ 18,368	\$ 1,995,289
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 1,623,051	\$ 18,368	\$ 1,641,419
Restricted cash and cash equivalents - current	353,870	-	353,870
Total cash and cash equivalents, end of year	\$ 1,976,921	\$ 18,368	\$ 1,995,289
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (950,451)	\$ 6,179	\$ (944,272)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	885,030	-	885,030
Miscellaneous revenue	52,906	-	52,906
Change in assets and liabilities:			
Due from other funds	(4,885)	-	(4,885)
Deposits subject to refund	3,291	-	3,291
Net cash provided by (used in) operating activities	\$ (14,109)	\$ 6,179	\$ (7,930)

See accompanying notes to these financial statements.

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Pauls Valley's (the "City") financial reporting entity includes the primary government (City of Pauls Valley), two active blended component units, and one active discretely presented component unit.

The City of Pauls Valley— that operates the public safety, streets and highways, parks and recreation, and administrative activities.

The City of Pauls Valley is a Council/Manager form of government with a population of approximately 6,000 located in Garvin County in south-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, culture and recreation, cemetery, streets and public works.

Blended Component Units [City Council serves as governing body (trustees)]:

The City of Pauls Valley Municipal Authority (PVMA) – that operates the water, wastewater, sanitation, and lake activities of the City.

Pauls Valley Ambulance Service District No. 1 (PVASD) – that is authorized to assess three mills of ad valorem tax to be used to provide ambulance service to the City of Pauls Valley. PVASD contracts with Mercy Hospital Ada, Inc. to provide this service. The Special Ambulance Fund reports the PVASD's activities.

The blended component units have the City Council as their governing body (trustees) and the City is able to impose its will through required approval of all debt obligations issued by these entities.

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

Pauls Valley Municipal Hospital Authority (PVMHA) – when active, a trust authority that provides health care services to the residents of Pauls Valley and Garvin County. However, this trust became inactive in 2021.

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

Discretely Presented Component Unit [Separate governing body (trustees) from the City Council]:

Pauls Valley Airport Authority (PVAA) – that provides airport facilities to the residents of Pauls Valley and Garvin County. The PVAA trustees are appointed by the City Council.

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

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

The PVASD was created under Title 19 in order to levy a three (3) mil ad valorem tax for funding the operations of an ambulance service. The governing body of the City is considered the Board of Trustees of the PVASD, and the City manages and does the recordkeeping on behalf of the PVASD.

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 the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables, including advances
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

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- General Government – license and permits, and capital grants
- Public Safety – fines and forfeitures, fire run charges, ambulance runs, restricted operating grants and restricted capital grants
- Highways and Streets – commercial vehicle and gasoline excise tax shared by the State
- Culture and recreation – operating grants and donations, and recreation center, pool, and golf fees
- Cemetery – cemetery openings/closings and lot sales
- Economic Development – hotel/motel tax levy
- Airport – hangar rentals, land leases and capital grants
- Utilities – charges services for water, sewer and sanitation
- Lake – donations and fees

All other revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

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. The General Fund includes the Rose Garden Account, Wacker Park Account, Beautification Account and Hospital Account. The Hospital account accounts for a half cent sales and use tax dedicated to be used for hospital expenses.
- One Cent Sales Tax Fund – a special revenue fund that accounts for a one cent dedicated sales and use tax to be used 50% for street replacement, 25% for parks and 25% for general government.
- TIF Fund – accounts for revenues of ad valorem tax increments generated in the increment district boundaries to be expended for expenses of the Pauls Valley Economic Development Project Plan. The TIF district will expire on December 31, 2023.

Capital Projects Fund:

- Capital Improvement Fund – accounts for capital projects, revenues, financing and capital expenditures.

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

Special Revenue Funds:

- Police Special Fund – accounts for a portion of court fine revenue and miscellaneous donations to be expended for police related expenditures.
- Cemetery Beautification Fund – accounts for miscellaneous donations and monument setting fees to be expended for the beautification of cemeteries.
- Senior Citizen Fund – accounts for revenues, grants and expenditures of the senior citizens' programs.
- 911 account Fund – accounts for E-911 revenues legally restricted for E-911 services.
- Marianne Ewert Bequest Fund – accounts for permanently restricted endowment fund and the investment income restricted for park improvements.
- Nora Sparks Warren Library Trust Fund – accounts for investment income and donations for library expenditures.

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- Tourism/Motel Tax Fund – accounts for revenues of a hotel/motel tax levy to be expended for the promotion of tourism.
- Special Ambulance Fund – accounts for PVASD’s property taxes collected for the purpose of operating an ambulance service. The service is contracted through the Mercy Hospital Ada, Inc.

Capital Project Funds:

- Pauls Valley Airport Projects Fund – accounts for grant revenues and expenditures related to airport improvement projects.
- Cemetery Care Fund – accounts for 25% of all cemetery revenues of which 12.5% is legally restricted for cemetery capital improvements.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are 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 the result of the use of the economic resources measurement focus at the government-wide level.

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

Major Funds:

- Pauls Valley Municipal Authority – accounts for the operation of the water, wastewater, sanitation, and lake activities of the City.
- Pauls Valley Sanitation Capital Improvement Fund – accounts for a \$.25 fee assessed and collected from sanitation customers to be expended on capital improvements of the City’s sanitation service.

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds. Enterprise funds are used to account for business-like activities provided to the general public. Proprietary funds are reported on the modified cash basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City’s enterprise funds are the Pauls Valley Municipal Authority and the Sanitation Capital Improvement Fund.

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

For the purposes of the statements of net position, balance sheets, and statement of cash flows, 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. Revenue bond and promissory note trust

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account investments in open-ended mutual fund shares are also considered cash equivalents and are reported at the funds' current share prices, which approximates cost.

Investments consist of non-negotiable certificates of deposit whose original maturity term exceeds three months and mutual funds. These non-negotiable certificates of deposit are carried at cost.

D. Capital Assets and Depreciation

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

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$3,500 is used to report capital assets. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2003 are recorded at cost. In-kind donations of capital assets are not recorded on the modified cash basis of accounting.

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

<u>Asset</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	15-50
Machinery, furniture and equipment	5-24
Utility property and improvements	15-50
General Infrastructure	15-50

E. Long-Term Debt

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

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 11.

G. Fund Balances and Net Position

Fund Statements:

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

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

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

Net Position:

Net position is displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted* - 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.

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

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

H. Internal and Interfund Balances and Transfers

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

I. Use of Estimates

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

2. Deposits and Investments

For the year ended June 30, 2023, the City recognized \$46,860 of investment income. Most of the City’s deposits are in demand and short-term time deposits.

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

PRIMARY GOVERNMENT:

Type	Maturities	Credit Rating	Carrying Value
Deposits:			
Demand deposits	On demand	N/A	\$ 5,178,867
First United Money Market	On demand	N/A	2,432,406
Time deposits	10/2023, 3/2024, 6/2024	N/A	839,272
			<u>8,450,545</u>
Investments:			
Cavalan Hill U.S. Treasury-Admin #0002	Less than one year	Aaa	211,812
Blackrock Liq Fedfd-Csh Res #00U3	Less than one year	AAAm	10,767
Federated Hermes Treas Oblig-SS #0398	Less than one year	AAAm	66,700
First United Money Market Funds	Less than one year	not rated	262,608
			<u>551,887</u>
Total deposits and investments			<u><u>\$ 9,002,432</u></u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 7,546,682
Restricted cash and cash equivalents			616,478
Investments			697,098
Restricted investments			142,174
			<u><u>\$ 9,002,432</u></u>

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Custody Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State's Security for Local Public Deposits 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.

The City's accounts were under collateralized by \$395,768 at June 30, 2023.

As of June 30, 2023, the deposits and investments for the Pauls Valley Airport Authority were \$158,930. The entire \$158,930 was not exposed to custodial credit risk and was fully insured.

Investment Interest Rate Risk - the City does 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. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase. All certificates of deposit have maturities of one year or less.

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

As of June 30, 2023, securities were limited to money market mutual funds.

Concentration of Investment Credit Risk - the City 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 utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2023 are as follows:

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	Cash and Cash Equivalents		Investments	
	Governmental	Business-type	Business-type	Total
Utility Deposits	\$ -	\$ 64,591	\$ 142,174	\$ 206,765
2012 Principal	24,231	-	-	24,231
2012 Interest	16,123	-	-	16,123
2015 Principal	149,835	-	-	149,835
2015 Interest	51,561	-	-	51,561
2013 Construction	8	-	-	8
2013 Principal	13,787	-	-	13,787
2013 Interest	7,063	-	-	7,063
2016A Principal	-	150,647	-	150,647
2016A Interest	-	22,212	-	22,212
2016B Principal	-	30,939	-	30,939
2016B Interest	-	8,014	-	8,014
2016C CWRSF	-	10,767	-	10,767
2021 Interest	-	2,036	-	2,036
2021 Principal	-	9,047	-	9,047
2021 Construction	-	55,617	-	55,617
Total	<u>\$ 262,608</u>	<u>\$ 353,870</u>	<u>\$ 142,174</u>	<u>\$ 758,652</u>

3. Capital Assets and Depreciation

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

	Balance at June 30, 2022	Additions	Disposals	Balance at June 30, 2023
Governmental activities:				
Capital assets not being depreciated:				
Intangibles	\$ 50,000	\$ -	\$ -	\$ 50,000
Land	721,981	-	-	721,981
Construction in progress	-	105,669	-	105,669
Total capital assets not being depreciated	<u>771,981</u>	<u>105,669</u>	<u>-</u>	<u>877,650</u>
Other capital assets:				
Buildings	17,132,137	128,758	-	17,260,895
Improvements	7,193,027	410,301	-	7,603,328
Machinery, Furniture & Equipment	6,553,548	215,493	-	6,769,041
Infrastructure	<u>5,856,472</u>	<u>132,750</u>	<u>-</u>	<u>5,989,222</u>
Total other capital assets	<u>36,735,184</u>	<u>887,302</u>	<u>-</u>	<u>37,622,486</u>
Less accumulated depreciation for:				
Buildings	8,476,839	708,017	-	9,184,856
Improvements	4,958,481	383,613	-	5,342,094
Machinery, Furniture & Equipment	6,070,442	138,571	-	6,209,013
Infrastructure	<u>1,603,391</u>	<u>451,239</u>	<u>-</u>	<u>2,054,630</u>
Total accumulated depreciation	<u>21,109,153</u>	<u>1,681,440</u>	<u>-</u>	<u>22,790,593</u>
Other capital assets, net	<u>15,626,031</u>	<u>(794,138)</u>	<u>-</u>	<u>14,831,893</u>
Governmental activities capital assets, net	<u>\$ 16,398,012</u>	<u>\$ (688,469)</u>	<u>\$ -</u>	<u>\$ 15,709,543</u>

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	Balance at June 30, 2022	Additions	Disposals	Balance at June 30, 2023
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,166,941	\$ -	\$ -	\$ 1,166,941
Construction in progress	-	839,035	839,035	-
Total capital assets not being depreciated	<u>1,166,941</u>	<u>839,035</u>	<u>839,035</u>	<u>1,166,941</u>
Other capital assets:				
Buildings	318,789	-	-	318,789
Improvements	14,338,451	1,005,515	-	15,343,966
Machinery, furniture & equipment	4,111,894	232,733	15,629	4,328,998
Infrastructure	34,680,469	-	-	34,680,469
Total other capital assets	<u>53,449,603</u>	<u>1,238,248</u>	<u>15,629</u>	<u>54,672,222</u>
Less accumulated depreciation for:				
Buildings	213,574	12,795	-	226,369
Improvements	4,852,306	289,231	-	5,141,537
Machinery and equipment	3,589,091	176,691	15,629	3,750,153
Infrastructure	27,705,215	406,313	-	28,111,528
Total accumulated depreciation	<u>36,360,186</u>	<u>885,030</u>	<u>15,629</u>	<u>37,229,587</u>
Other capital assets, net	<u>17,089,417</u>	<u>353,218</u>	<u>-</u>	<u>17,442,635</u>
Business-type activities capital assets, net	<u>\$ 18,256,358</u>	<u>\$ 1,192,253</u>	<u>\$ 839,035</u>	<u>\$ 18,609,576</u>
	Balance at June 30, 2022	Additions	Disposals	Balance at June 30, 2023
Pauls Valley Airport Authority:				
Capital assets not being depreciated:				
Land	\$ 94,942	\$ -	\$ -	\$ 94,942
Construction in progress	214,124	1,277,628	566,901	924,851
Total capital assets not being depreciated	<u>309,066</u>	<u>1,277,628</u>	<u>566,901</u>	<u>1,019,793</u>
Other capital assets:				
Buildings	745,785	-	-	745,785
Improvements	5,804,561	566,901	-	6,371,462
Machinery, Furniture & equipment	509,619	4,382	-	514,001
Infrastructure	3,222,678	-	-	3,222,678
Total other capital assets	<u>10,282,643</u>	<u>571,283</u>	<u>-</u>	<u>10,853,926</u>
Less accumulated depreciation for:				
Buildings	647,396	17,106	-	664,502
Improvements	3,872,914	137,000	-	4,009,914
Machinery, Furniture and equipment	309,167	37,039	-	346,206
Infrastructure	1,052,090	166,042	-	1,218,132
Total accumulated depreciation	<u>5,881,567</u>	<u>357,187</u>	<u>-</u>	<u>6,238,754</u>
Other capital assets, net	<u>4,401,076</u>	<u>214,096</u>	<u>-</u>	<u>4,615,172</u>
Airport Authority activities capital assets, net	<u>\$ 4,710,142</u>	<u>\$ 1,491,724</u>	<u>\$ 566,901</u>	<u>\$ 5,634,965</u>

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

Governmental Activities:

General government	\$ 72,909
Public safety	98,247
Highways and streets	711,885
Culture and recreation	786,554
Cemetery	7,319
Economic Development	4,526
	<u>\$ 1,681,440</u>

Business-Type Activities:

Water	\$ 536,687
Sewer	189,071
Sanitation	157,069
Lake	2,203
	<u>\$ 885,030</u>

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4. Long-Term Debt and Debt Service Requirements

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

<u>Type of Debt</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes payable-direct borrowings/placements	\$ 12,365,179	\$ 96,264	\$ 1,368,970	\$ 11,092,473	\$ 997,598
Total Governmental Activities	<u>\$ 12,365,179</u>	<u>\$ 96,264</u>	<u>\$ 1,368,970</u>	<u>\$ 11,092,473</u>	<u>\$ 997,598</u>
Reconciliation to Statement of Net Position:					
Governmental Activities:					
Due within one year				\$ 997,598	
Due in more than one year				10,094,875	
Total Governmental Activities Long-term liabilities				<u>\$ 11,092,473</u>	
Business-Type Activities:					
Notes payable-direct borrowings/placements	\$ 5,827,687	\$ 207,786	\$ 769,800	\$ 5,265,673	\$ 715,653
Deposits subject to refund	160,424	25,749	22,458	163,715	32,743
Total Business-Type Activities	<u>5,988,111</u>	<u>233,535</u>	<u>792,258</u>	<u>5,429,388</u>	<u>748,396</u>
Total Long-Term Debt	<u>\$ 18,353,290</u>	<u>\$ 329,799</u>	<u>\$ 2,161,228</u>	<u>\$ 16,521,861</u>	<u>\$ 1,745,994</u>
Business-Type Activities:					
Due within one year				\$ 748,396	
Due in more than one year				4,680,992	
Total Business-Type Activities Long-term liabilities				<u>\$ 5,429,388</u>	

Governmental Activities:

At June 30, 2023, the governmental long-term debt of the financial reporting entity consisted of the following:

Notes Payable-Direct Borrowings/Placements:

Note Payable to First United Bank for pool construction, dated September 27, 2012, original amount \$3,200,000 with annual interest rate of 3.85%, due in monthly installments of principal and interest, final installment due October 1, 2032. The collateral for this note is a pledge of one quarter of one cent of future sales tax revenues dedicated for improvements, repairs, maintenance and/or the advancement of Pauls Valley municipal parks and recreation facilities and programs. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in this Note Indenture, the Sales Tax Agreement or the notes; requiring that the Sales Tax Revenue be deposited directly as received with the BANK; 2) accelerate the payment of principal of and interest accrued on all notes; 3) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of this Note Indenture or the Sales Tax Agreement.

\$ 1,802,788

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Note Payable to Branch Banking & Trust Co. for street improvements, dated March 13, 2015, original amount \$5,470,000 with annual interest rate of 2.67%, due in semi-annual installments of principal and interest, on March 1st and September 1st, final installment due March 1, 2030, secured by the pledge of one-half of one percent (0.50%) of the sales tax revenue. The collateral for this note is a pledge of one-half of one percent sales tax dedicated for the replacement, repair and/or maintenance of public streets and alleys of the City of Pauls Valley. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in this Note Indenture, the Sales Tax Agreement or the notes; requiring that the Sales Tax Revenue be deposited directly as received with the BANK; 2) accelerate the payment of principal of and interest accrued on all notes; 3) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of this Note Indenture or the Sales Tax Agreement.

2,825,000

\$3,150,000 Pauls Valley Municipal Authority Sales Tax Revenue Note, Series 2013 dated June 28, 2013, payable in monthly installments due the 1st of every month to First United Bank, final installment due June 2033, with an annual interest rate of 4.25%. The collateral for this note is a pledge of one half of one percent sales tax of the three and one-quarter percent sales tax designated to provide revenues for the support of the functions of the government of the City. In the event of default, a Pauls Valley Municipal Authority Revenue Fund shall be established with the BANK and maintained so long as the Event of Default continues. The Revenue Fund shall be used to receive the Sales Tax Revenue and thereafter to transfer monthly an amount equal to one-sixth of the principal and interest due on the notes on the next semi-annual principal and interest payment date to the Principal/Interest Account of the Note Fund (or such amount as is necessary to pay monthly principal & interest due on the notes to the extent principal and interest is due on the notes monthly). Any monies remaining in the Revenue Fund after the required transfers have been made shall be returned to the AUTHORITY.

1,955,917

\$1,025,000 Pauls Valley Municipal Authority Sales Tax Revenue Note, Series 2014, dated March 1, 2014, payable in monthly installments due the first of every month to Pauls Valley National Bank, final installment due June, 2028, with a variable interest rate of 1 point over Wall Street Prime with a floor of 4.25% and a ceiling of 6.5%, FY23 rate 6.5%. The collateral for this note is a pledge of one half of one percent sales tax. In the event of default, the lender may: 1) at its option, without notice or demand, declare this Note in default and all indebtedness due and owing hereunder immediately due and payable, together with interest from the date of default on such principal balance and on any past due interest hereunder at the rate of five percent per annum in excess of the stated rate; 2) set off against this Note all money owed by Bank in any capacity to Issuer, whether or not due; 3) collect reasonable costs of collection, including attorney's fee.

337,595

\$4,800,000 Pauls Valley Municipal Authority Sales Tax Revenue Note, Series 2018, dated December 20, 2018, payable in monthly installments due the 20th day of every month to Pauls Valley National Bank, final installment due December, 2038, with a variable interest rate equal to the Wall Street Prime rate on each June 1 with a floor of 3.75% per annum and a ceiling of 9.75% per annum, initial rate of 5.25%. The collateral for this note is a pledge of one-half of one cent of future sales tax revenues designated for hospital facilities and one-half of one percent sales tax of the three and one-quarter percent sales tax designated for the support of the functions of the government of the City. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the AUTHORITY contained in this Indenture, the Sales Tax Agreement or the Bonds; 2) appoint a temporary trustee to take over, operate and maintain the Facilities; 3) accelerate the payment of principal of and interest accrued on the Bonds; 3) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the Indenture and the Sales Tax Agreement.

4,012,896

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\$102,126 Note Payable to the KS State Bank, Manhattan, Kansas for the purchase of Fitness Equipment, payable in 60 monthly installments of \$1,889 with an annual interest rate of 4.33%, beginning July 1, 2021, final payment due June 1, 2026. The collateral for this note is the fitness equipment. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC. 62,013

\$96,264 Note Payable to the First United Bank, for the purchase of two (2) 2022 Ford Police Interceptor Utility SUVs, payable in 2 annual installments of \$51,413 with an annual interest rate of 4.250%, beginning July 15, 2023, final payment due July 15, 2024. The collateral for this note is the SUVs. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC. 96,264

Total Notes Payable	<u>\$ 11,092,473</u>
Current portion	997,598
Noncurrent portion	10,094,875
Total Notes Payable	<u>\$ 11,092,473</u>

Business-Type Activities:

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2023, includes the following:

Notes Payable-Direct Borrowings/Placements:

\$5,420,000 Pauls Valley Municipal Authority Utility System and Sales Tax Revenue Note, Series 2016A dated June 3, 2016, payable in semi-annual installments each March 1 and September 1, final installment due September 2028, with an annual interest rate of 2.50%. The collateral for this note is a pledge of the gross revenues from the operation of water, sanitary sewer, and sanitation systems and one half of one cent of future sales tax revenues. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in the Indenture or in the bonds; 2) accelerate the payment of principal of and interest accrued on all bonds; 3) appoint temporary trustees to take over, operate, and maintain the System on a profitable basis and ensure the payment of the principal of and interest on the bonds and any additional parity bonds; 4) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the Indenture. \$ 2,641,000

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\$1,110,000 Sales Tax Revenue Note, Series 2016B dated June 3, 2016, payable in semi-annual installments each March 1 and September 1, final installment due September 2028, with an annual interest rate of 4.20%. The collateral for this note is a pledge of the gross revenues from the operation of water, sanitary sewer, and sanitation systems and one half of one cent of future sales tax revenues. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in the Indenture or in the bonds; 2) accelerate the payment of principal of and interest accrued on all bonds; 3) appoint temporary trustees to take over, operate, and maintain the System on a profitable basis and ensure the payment of the principal of and interest on the bonds and any additional parity bonds; 4) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the Indenture.

567,000

\$875,000 OWRB Note Series 2016C dated October 26, 2016, payable in semi-annual installments each March 15 and September 15, with an annual 1.99% interest rate, final payment due March 2030. The collateral for this note is a pledge of net proceeds from the operation of water, sanitary sewer, and sanitation systems and one half of one cent of future sales tax revenues. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Borrower contained in this Loan Agreement or in the Note; 2) accelerate the payment of principal of and interest accrued on the Note; 3) appoint temporary trustees to take over, operate, and maintain the System on a profitable basis and ensure the payment of the principal of and interest and administrative fees on the Note and any other Borrower indebtedness; 4) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of this Loan Agreement.

806,665

\$207,787 Note Payable to Bank of Grand Lake for the purchase of a 2022 Komatsu Excavator, payable in 72 monthly installments of \$3,298 with an annual interest rate of 4.43%, beginning February 19, 2023, final payment due January 19, 2029. The collateral for this note is the 2022 Komatsu Excavator. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC.

194,667

\$173,570 Note Payable to Caterpillar Finance for the purchase of a 2019 Caterpillar C100256 Model 313FL TC Excavator, payable in 60 monthly installments of \$2,745 with an annual interest rate of 4.99%, beginning April 15, 2020, final payment of \$60,718 due April 15, 2025. The collateral for this note is the 2019 Caterpillar excavator. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC.

96,340

\$1,100,000 Sales Tax Revenue Note, Series 2021 dated December 29, 2021, payable in semi-annual installments each June 1 and December 1, final installment due December 1, 2031, with an annual interest rate of 2.40%. The collateral for this note is a pledge of 0.25% of sales tax revenue. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in the Indenture or in the bonds; 2) accelerate the payment of principal of and interest accrued on all bonds; 3) appoint temporary trustees to take over, operate, and maintain the System on a profitable basis and ensure the payment of the principal of and interest on the bonds and any additional parity bonds; 4) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the Indenture.

960,000

Total Notes Payable	<u>\$</u>	<u>5,265,672</u>
Current portion	\$	715,653
Noncurrent portion		4,550,019
Total Notes Payable	<u>\$</u>	<u>5,265,672</u>

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Payment Requirements to Maturity:

Year Ended June 30,	Governmental Activities		Business-Type Activities	
	Notes Payable-Direct Borrowings/Placements		Notes Payable-Direct Borrowings/Placements	
	Principal	Interest	Principal	Interest
2024	\$ 997,598	\$ 478,969	\$ 715,653	\$ 140,654
2025	1,035,819	441,350	783,010	120,513
2026	1,026,838	396,944	730,401	97,106
2027	1,047,616	337,796	751,978	76,370
2028	1,093,108	296,038	773,623	55,007
2029-2033	4,138,582	896,742	1,511,007	53,757
2034-2038	1,659,557	281,114	-	-
2039	93,355	2,937	-	-
Total	<u>\$ 11,092,473</u>	<u>\$ 3,131,890</u>	<u>\$ 5,265,672</u>	<u>\$ 543,407</u>

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge

Governmental-Type-

The City pledged one half of one cent of future sales tax revenues to repay a \$5,470,000, Series 2015 Promissory Note. Proceeds from the note provided financing for street improvements. The note is payable through 2030. The total principal and interest payable for the remainder of the life of this note is \$3,116,164. Pledged sales taxes received in the current year were \$851,548. Debt service payments of \$442,637 for the current fiscal year were 52.0% of pledged sales taxes.

The City pledged one quarter of one cent of future sales tax revenues to repay a \$3,200,000, Series 2012 Promissory Note. Proceeds from the note provided financing for pool construction. The note is payable through 2032. The total principal and interest payable for the remainder of the life of this note is \$2,154,475. Pledged sales taxes received in the current year were \$425,774. Debt service payments of \$230,891 for the current fiscal year were 54.2% of pledged sales taxes.

The City pledged one half of one cent of future sales tax revenues to repay a \$3,150,000, Series 2013 Promissory Note, a \$1,025,000, Series 2014 Promissory Note and a \$4,800,000, Series 2018 Promissory Note. Proceeds from the notes provided financing for hospital capital improvements and support for the hospital. The hospital closed on October 12, 2018 and was subsequently sold on February 25, 2021, however; the City is responsible for the remaining debt. The notes are payable through 2033, 2033 and 2038, respectively. The total principal and interest payable for the remainder of the life of these notes is \$8,724,651. Pledged sales taxes received in the current year were \$851,548. Debt service payments of \$986,830 for the current fiscal year were 115.9% of pledged sales taxes.

Business-Type-

The City pledged one half of one cent of future sales tax revenues and gross utility revenues to repay \$5,420,000 and \$1,110,000 Series 2016A and 2016B Promissory Notes, respectively. Proceeds from the notes financed the acquisition of land. The notes are payable through 2028 and 2028, respectively. The total principal and interest payable for the remainder of the life of these notes is \$3,484,057. Pledged sales taxes received in the current year were \$851,548 and gross utility revenues were \$3,807,592. Debt service payments of \$634,033 for the current fiscal year were 13.6% of both pledged sales taxes and gross utility revenues.

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The City pledged one half of one cent of future sales tax revenues and net utility revenues to repay an \$875,000, Series 2016C Promissory Note. Proceeds from the notes financed the acquisition of land. The notes are payable through 2030. The total principal and interest payable for the remainder of the life of these notes is \$933,690. Pledged sales taxes received in the current year were \$851,548 and net utility revenues were \$734,924. Debt service payments of \$30,555 for the current fiscal year were 1.9% of both pledged sales taxes and net utility revenues.

The City pledged one quarter of one cent of future sales tax revenues to repay a \$1,100,000, Series 2021 Promissory Note. Proceeds from the note provided financing for closure of a landfill. The note is payable through 2031. The total principal and interest payable for the remainder of the life of this note is \$1,067,388. Pledged sales taxes received in the current year were \$425,774. Debt service payments of \$124,840 for the current fiscal year were 29.3% of pledged sales taxes.

5. Sales Tax Revenue

Sales tax revenue represents a four and ½ cents tax on each dollar of taxable sales of which is recorded as follows:

- 3 ¼ cents is available for general government per Ordinance No. 940. Three cents is recorded in the general fund and ¼ cent is recorded in the One Cent Sales Tax Fund. One cent is subsequently transferred to the PVMA for debt retirement.
- ½ cent is restricted for street replacement and maintenance per Ordinance No. 940. ½ cent is recorded in the One Cent Sales Tax Fund.
- ¼ cent is restricted for park and recreation facilities and programs per Ordinance No. 940. ¼ cent is recorded in the One Cent Sales Tax Fund.
- ½ cent is restricted for hospital. ½ cent is recorded in the General Fund to pay debt related to the hospital.

6. 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.

The Pauls Valley Ambulance District, a separate legal entity reported as a blended component unit, levies an ad valorem tax under the provision of State Question 522. State Question 522 allowed cities to set up ambulance districts that would levy a voter approved 3 mil ad valorem tax to operate an ambulance service.

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7. Schedule of Transfers Between Funds and Legal Entities

Internal balances between funds and legal entities are comprised of the following:

<u>Advance From</u>	<u>Advance To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	PV Airport Authority	\$ 12,100	Fuel Tanks
		<u>\$ 12,100</u>	

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	PVMA	\$ 4,885	Asset Disposal Proceeds
Total		<u>\$ 4,885</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ -	\$ (4,885)	\$ (4,885)
Proprietary Funds	4,885	-	4,885
Total	<u>\$ 4,885</u>	<u>\$ (4,885)</u>	<u>-</u>

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
One Cent Sales Tax Fund	General Fund	\$ 467,727	operating subsidy
One Cent Sales Tax Fund	General Fund	251,673	fund capital purchases
One Cent Sales Tax Fund	General Fund	80,004	sales tax transfer
PVMA Reserve Fund	General Fund	58,987	fund capital purchases
PVMA Long Term Reserve	General Fund	475,000	operating subsidy
One Cent Sales Tax Fund	General Fund	442,766	street debt payments
PVMA Reserve Fund	PVMA Long Term Reserve	123,686	fund capital purchases
PVMA	General Fund	87,844	fund capital purchases
General Fund	Beautification Fund	55,633	beautification projects
General Fund	PVMA	95,200	asset transfer
PVMA Long Term Reserve	PV Special Ambulance Fund	38,600	operating subsidy
General Fund	Police Special Fund	3,664	court fees
Marianne Ewert Bequest	Rose Garden Fund	45	interest income transfer
Marianne Ewert Bequest	Wacker Park Fund	45	interest income transfer
General Fund	PVMA	1,703,095	sales tax transfer
General Fund	PVMA Reserve Fund	90,000	fund capital purchases
Total		<u>\$ 3,973,969</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,961,988	\$ (3,094,652)	\$ (1,132,664)
Proprietary Funds	2,011,981	(1,377,923)	634,058
	<u>\$ 3,973,969</u>	<u>\$ (4,472,575)</u>	<u>\$ (498,606)</u>

Reconciliation to Statement of Activities:

Net Transfers	(1,132,664)
Governmental-type activity transfer assets to PVMA	(95,200)
Governmental-type activity transfer assets from PVMA	593,806
Transfers - internal activity	<u>\$ (634,058)</u>

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8. Fund Balance and Net Position

Restricted Net Position –Governmental Activities:

The following table shows the net position restricted for other purposes as shown in the Statement of Net Position:

Fund	Restricted By	Amount
General Fund	Debt indentures	\$ 538,332
Capital Improvement Fund	Debt indentures	8
Cemetery Care Fund	Statutory requirements	21,434
		<u>559,774</u>
General Fund	Enabling legislation	285,489
1 Cent Fund	Enabling legislation	2,837,659
TIF Fund	Enabling legislation	1,440,047
Tourism Fund	Enabling legislation	376,134
Senior Citizen Fund	Enabling legislation	1
PV Airport Project Fund	Enabling legislation	48,442
Cemetery Beautification Fund	Enabling legislation	12,818
PV Special Ambulance Fund	Enabling legislation	40,669
		<u>5,041,259</u>
Total Restricted		<u>\$ 5,601,033</u>

Restricted Net Position –Business-Type Activities:

The following table shows the net position restricted for other purposes as shown in the Statement of Net Position:

Enterprise Funds

Restricted for :

Specific government services \$ 220,832

9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Airport General Liability – Covered through purchase of commercial insurance.
- Workers' Compensation – Workers' compensation is covered through purchase of commercial insurance – Oklahoma Municipal Assurance Group.
- Employee's Group Health and Life – Covered through purchase of commercial insurance – Blue Cross Blue Shield.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the City. Management

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believes such insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three fiscal years.

10. Pension Plan Participation

The City participates in four employee retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement Fund Defined Contribution Plan (OkMRF) – an agent multiple-employer defined contribution plan
- Oklahoma Municipal Retirement Fund Master Defined Contribution Plan available only for City Managers (OkMRF) – an agent multiple-employer defined contribution plan

OFPRS:

Plan Summary Information. The City of Pauls Valley, 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). This plan covers all full-time and volunteer firemen except the fire chief. 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 49-100, the City must participate in the plan if they employ full-time or volunteer firefighters. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

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. For volunteer firefighters, the City is required to contribute \$60 per year per volunteer, while there is no required contribution by the volunteer.

Schedule of Retirement Plan Contributions for Volunteer Firefighters

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2023	\$ 900	\$ 900
2022	\$ 1,400	\$ 1,400
2021	\$ 1,560	\$ 1,560

The City participates in the OFPRS for all paid firefighters. OFPRS plan members are required to contribute 9% to the plan. The City is required by state law to contribute 14% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contributed</u>	<u>Amount Contributed</u>
2023	\$ 89,642	\$ 89,642
2022	\$ 78,343	\$ 78,343
2021	\$ 69,700	\$ 69,700

OPPRS:

Plan Summary Information. The City of Pauls Valley, 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 50-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

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. 63rd 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 are as follows:

Schedule of Retirement Plan Contributions OPPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contributed</u>	<u>Amount Contributed</u>
2023	\$ 99,835	\$ 99,835
2022	\$ 93,574	\$ 93,574
2021	\$ 89,716	\$ 89,716

Oklahoma Municipal Retirement Fund Defined Contribution Plans:

Municipal Retirement Plan – The City has provided a defined contribution plan and trust known as the City of Pauls Valley Plan (the “Plan”) in the form of The Oklahoma Municipal Retirement Fund 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 OkMRF and plan assets are supervised by OkMRF. The defined contribution plan is available to all full-time employees not

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participating in another plan. Employees are eligible to participate three months from the date of employment. Employees are required to contribute at least 1% but no more than 5% of compensation. Employer contributions shall equal 100% of the total mandatory contributions by employees. City contributions for each employee begin vesting after two years of service and are fully vested after six years. If an employee terminates before becoming fully vested, the employer's contributions are forfeited and may be used to reduce the City's current period contribution requirements. FY23 forfeitures were \$2,370. The authority to amend the provisions of the plan rests with the City Council.

Summary of Contributions:

Oklahoma Municipal Retirement Fund		
<u>Fiscal Year</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
2023	\$ 81,815	\$ 81,815
2022	\$ 81,442	\$ 81,442
2021	\$ 80,440	\$ 80,440

City Manager Retirement Plan – The City has provided a defined contribution plan and trust known as the City of Pauls Valley Plan (the “Plan”) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OkMRF) available only to the city manager. OkMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by OkMRF and plan assets are supervised by OkMRF. The city manager was required to contribute 3.5% to the Plan until February 1, 2023. The Plan amendment requires 0% contribution by the City Manager to the Plan. The City Council determines the City's contribution rate each year. The authority to amend the provisions of the plan rests with the City Council.

Oklahoma Municipal Retirement Fund		
<u>Fiscal Year</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
2023	\$ -	\$ 10,804
2022	\$ 1,964	\$ 10,446
2021	\$ 4,216	\$ 13,756

11. Commitments and Contingencies

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2023 is \$423,075 for governmental activities and \$116,379 for business-type activities.

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Litigation:

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings.

State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation 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 Pauls Valley 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 City has not been notified of any noncompliance with federal or state award requirements.

Garvin County Rural Water District No. 4:

The City of Pauls Valley has a contract with Garvin County Rural Water District No. 4 for the purchase of certain water infrastructure. Additional consideration for industrial/commercial customers has a range between \$27,470 and \$422,151. This amount, when determined, shall be added to the contract payable and capital assets for water infrastructure. Garvin County Rural Water District No. 4 owes the City \$377,648 for water usage through June 30, 2023.

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OTHER SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2023

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 280,000	\$ 580,000	\$ 1,689,528	\$ 1,109,528
Resources (Inflows)				
Taxes	6,880,196	6,998,174	7,145,878	147,704
Intergovernmental	217,500	307,500	165,856	(141,644)
Charges for services	913,200	1,156,700	1,091,624	(65,076)
Fines and forfeitures	125,000	136,000	152,319	16,319
Licenses and permits	48,000	53,000	51,486	(1,514)
Investment income	2,100	4,200	2,610	(1,590)
Miscellaneous	34,500	114,500	126,055	11,555
Transfers in	1,275,759	1,843,472	1,831,879	(11,593)
Sub-total Resources (Inflows)	<u>9,496,255</u>	<u>10,613,546</u>	<u>10,567,707</u>	<u>(45,839)</u>
Amounts Available for Appropriation	<u>9,776,255</u>	<u>11,193,546</u>	<u>12,257,235</u>	<u>1,063,689</u>
Charges to Appropriations (Outflows)				
Public safety	2,576,430	2,770,680	2,732,896	37,784
Streets	927,210	1,087,748	1,080,034	7,714
Culture & recreation	2,359,316	2,644,936	2,592,680	52,256
General government	981,070	1,060,170	1,032,187	27,983
Hospital	680,570	989,570	986,830	2,740
Cemetery	265,700	272,650	267,848	4,802
Airport	41,383	43,383	39,503	3,880
Transfers out	1,763,056	1,858,475	1,852,392	6,083
Total Charges to Appropriations	<u>9,594,735</u>	<u>10,727,612</u>	<u>10,584,370</u>	<u>143,242</u>
Fund balances - ending	<u>\$ 181,520</u>	<u>\$ 465,934</u>	<u>\$ 1,672,865</u>	<u>\$ 1,206,931</u>
ONE CENT SALES TAX FUND				
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 2,626,741	\$ 2,626,741
Resources (Inflows)				
Taxes	1,393,491	1,641,924	1,874,251	232,327
Investment income	10,000	15,000	14,939	(61)
Sub-total Resources (Inflows)	<u>1,403,491</u>	<u>1,656,924</u>	<u>1,889,190</u>	<u>232,266</u>
Amounts Available for Appropriation	<u>1,403,491</u>	<u>1,656,924</u>	<u>4,515,931</u>	<u>2,859,007</u>
Charges to Appropriations (Outflows)				
Capital Outlay	286,223	447,948	202,050	245,898
Transfers out	1,107,268	1,193,976	1,242,170	(48,194)
Total Charges to Appropriations	<u>1,393,491</u>	<u>1,641,924</u>	<u>1,444,220</u>	<u>197,704</u>
Fund balances - ending	<u>\$ 10,000</u>	<u>\$ 15,000</u>	<u>\$ 3,071,711</u>	<u>\$ 3,056,711</u>

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

Footnotes to Budgetary Comparison Schedules:

1. The City prepares its budgets for all funds on the cash basis of accounting. For budgetary purposes expenditures are recorded in the period the invoice is received and paid. All unexpended encumbrances lapse at year-end and therefore are not recorded as expenditures for budgetary purposes. The Capital Improvement Fund, even though it is considered a major fund, is a capital project fund and is not required to have a budget vs. actual presented.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified cash basis as shown in the schedule below:

	<u>General Fund</u>	<u>One Cent Sales Tax Fund</u>
Total revenue-budgetary basis	\$ 10,567,707	\$ 1,889,190
Total expense-budgetary basis	<u>(10,584,370)</u>	<u>(1,444,220)</u>
Change in fund balance-budgetary basis	(16,663)	444,970
Revenues	185,658	298
Expenditures	<u>(189,590)</u>	<u>-</u>
Change in fund balance	<u><u>\$ (20,595)</u></u>	<u><u>\$ 445,268</u></u>

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

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

		Special Revenue Funds						Capital Project Funds			Total	
		Police Special Fund	Cemetery Beautification	Senior Citizen Fund	Marianne Ewert Bequest	Tourism Motel Tax	NSW Library Trust	PV Special Ambulance	PV Airport Project	Capital Improvement Fund	Cemetery Care	Governmental Funds
ASSETS												
Cash and cash equivalents		\$ 28,388	\$ 15,717	\$ 1	\$ 50,008	\$ 376,134	\$ 69,072	\$ 40,669	\$ 48,442	\$ 8	\$ 60,390	\$ 688,829
Total assets		\$ 28,388	\$ 15,717	\$ 1	\$ 50,008	\$ 376,134	\$ 69,072	\$ 40,669	\$ 48,442	\$ 8	\$ 60,390	\$ 688,829
FUND BALANCES												
Fund balances:												
Nonspendable		\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Restricted for:												
Capital Improvements		-	-	-	-	-	-	-	-	8	-	8
Tourism		-	-	-	-	376,134	-	-	-	-	-	376,134
Senior Citizens		-	-	1	-	-	-	-	-	-	-	1
Airport		-	-	-	-	-	-	-	48,442	-	-	48,442
Cemetery		-	12,818	-	-	-	-	-	-	-	21,434	34,252
Emergency Medical Services		-	-	-	-	-	-	40,669	-	-	-	40,669
Assigned for:												
Capital Improvements		-	-	-	8	-	-	-	-	-	-	8
Public Safety		28,388	-	-	-	-	-	-	-	-	-	28,388
Library		-	-	-	-	-	69,072	-	-	-	-	69,072
Cemetery		-	2,899	-	-	-	-	-	-	-	38,956	41,855
Total fund balances		28,388	15,717	1	50,008	376,134	69,072	40,669	48,442	8	60,390	688,829
Total liabilities and fund balances		\$ 28,388	\$ 15,717	\$ 1	\$ 50,008	\$ 376,134	\$ 69,072	\$ 40,669	\$ 48,442	\$ 8	\$ 60,390	\$ 688,829

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

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

	Special Revenue							Capital Project Funds			Total-Other Governmental Funds
	Police Special Fund	Cemetery Beautification	Senior Citizens Fund	Marianne Ewert Bequest	Tourism Motel Tax	NSW Library Trust	PV Special Ambulance	PV Airport Project	Capital Improvement Fund	Cemetery Care	
REVENUES											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 348,258	\$ -	\$ 112,752	\$ -	\$ -	\$ -	\$ 461,010
Intergovernmental	12,137	-	-	-	-	20,401	-	-	-	-	32,538
Charges for services	-	-	-	-	148,183	-	-	-	-	5,262	153,445
Investment income	85	14	-	92	539	1,699	-	44	-	123	2,596
Miscellaneous	22,693	1,240	-	-	-	12,757	-	-	-	-	36,690
Total revenues	34,915	1,254	-	92	496,980	34,857	112,752	44	-	5,385	686,279
EXPENDITURES											
Public Safety	30,212	-	-	-	-	-	119,701	-	-	-	149,913
Culture and recreation	-	-	-	-	-	22,587	-	-	-	-	22,587
Economic development	-	-	-	-	413,648	-	-	-	-	-	413,648
Capital Outlay	38,225	-	-	-	-	-	-	-	-	23,055	61,280
Total Expenditures	68,437	-	-	-	413,648	22,587	119,701	-	-	23,055	647,428
Excess (deficiency) of revenues over expenditures	(33,522)	1,254	-	92	83,332	12,270	(6,949)	44	-	(17,670)	38,851
OTHER FINANCING SOURCES (USES)											
Transfers in	3,664	-	-	-	-	-	38,600	-	-	-	42,264
Transfers out	-	-	-	(90)	-	-	-	-	-	-	(90)
Total other financing sources and uses	3,664	-	-	(90)	-	-	38,600	-	-	-	42,174
Net change in fund balances	(29,858)	1,254	-	2	83,332	12,270	31,651	44	-	(17,670)	81,025
Fund balances - beginning	58,246	14,463	1	50,006	292,802	56,802	9,018	48,398	8	78,060	607,804
Fund balances - ending	\$ 28,388	\$ 15,717	\$ 1	\$ 50,008	\$ 376,134	\$ 69,072	\$ 40,669	\$ 48,442	\$ 8	\$ 60,390	\$ 688,829

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

Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2023

	<u>General Fund</u>	<u>Rose Garden Account</u>	<u>Wacker Park Account</u>	<u>Beautification Account</u>	<u>Hospital Account</u>	<u>Total General Fund</u>
ASSETS						
Cash and cash equivalents	\$ 1,276,106	\$ 5,366	\$ 43,519	\$ 265	\$ 311,948	\$ 1,637,204
Investments	-	-	-	-	26,880	26,880
Advance due from component unit	12,100	-	-	-	-	12,100
Total assets	<u>\$ 1,288,206</u>	<u>\$ 5,366</u>	<u>\$ 43,519</u>	<u>\$ 265</u>	<u>\$ 338,828</u>	<u>\$ 1,676,184</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other funds	\$ 4,885	\$ -	\$ -	\$ -	\$ -	\$ 4,885
Payable to other governments	2,366	-	-	-	-	2,366
Total liabilities	<u>7,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,251</u>
Fund balances:						
Restricted for:						
Debt Service	201,396	-	-	-	336,936	538,332
Capital Improvements	285,489	-	-	-	-	285,489
Assigned for:						
Subsequent Year Budget	35,000	-	-	-	-	35,000
Capital Improvements	-	5,366	43,519	265	1,892	51,042
Unassigned	<u>759,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>759,070</u>
Total fund balances	<u>1,280,955</u>	<u>5,366</u>	<u>43,519</u>	<u>265</u>	<u>338,828</u>	<u>1,668,933</u>
Total liabilities and fund balances	<u>\$ 1,288,206</u>	<u>\$ 5,366</u>	<u>\$ 43,519</u>	<u>\$ 265</u>	<u>\$ 338,828</u>	<u>\$ 1,676,184</u>

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

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund
Accounts (Modified Cash Basis) – Year Ended June 30, 2023

	<u>General Fund</u>	<u>Rose Garden Account</u>	<u>Wacker Park Account</u>	<u>Beautification Account</u>	<u>Hospital Account</u>	<u>Total General Fund</u>
REVENUES						
Taxes	\$ 6,208,752	\$ -	\$ -	\$ -	\$ 937,126	\$ 7,145,878
Intergovernmental	157,875	-	-	-	-	157,875
Charges for services	1,091,624	-	-	-	-	1,091,624
Fines and forfeitures	151,253	-	-	-	-	151,253
Licenses and permits	50,716	-	-	770	-	51,486
Investment income	9,884	5	39	-	996	10,924
Miscellaneous	98,926	-	11,539	17,872	-	128,337
Total revenues	<u>7,769,030</u>	<u>5</u>	<u>11,578</u>	<u>18,642</u>	<u>938,122</u>	<u>8,737,377</u>
EXPENDITURES						
General government	1,037,798	-	-	-	-	1,037,798
Public Safety	2,622,929	-	-	-	-	2,622,929
Highways and streets	630,430	-	-	-	-	630,430
Culture and recreation	2,047,137	-	17,700	75,137	-	2,139,974
Airport	39,503	-	-	-	-	39,503
Cemetery	267,848	-	-	-	-	267,848
Capital Outlay	352,226	-	-	-	-	352,226
Debt Service:						
Principal	679,264	-	-	-	689,707	1,368,971
Interest and other charges	164,766	-	-	-	297,123	461,889
Total Expenditures	<u>7,841,901</u>	<u>-</u>	<u>17,700</u>	<u>75,137</u>	<u>986,830</u>	<u>8,921,568</u>
Excess (deficiency) of revenues over expenditures	<u>(72,871)</u>	<u>5</u>	<u>(6,122)</u>	<u>(56,495)</u>	<u>(48,708)</u>	<u>(184,191)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt	96,264	-	-	-	-	96,264
Transfers in	1,864,001	45	45	55,633	-	1,919,724
Transfers out	<u>(1,852,392)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,852,392)</u>
Total other financing sources and uses	<u>107,873</u>	<u>45</u>	<u>45</u>	<u>55,633</u>	<u>-</u>	<u>163,596</u>
Net change in fund balances	35,002	50	(6,077)	(862)	(48,708)	(20,595)
Fund balances - beginning	1,245,953	5,316	49,596	1,127	387,536	1,689,528
Fund balances - ending	<u>\$ 1,280,955</u>	<u>\$ 5,366</u>	<u>\$ 43,519</u>	<u>\$ 265</u>	<u>\$ 338,828</u>	<u>\$ 1,668,933</u>

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

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

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Grant	N/A	\$ 10,053	\$ 10,053
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>			
FY 23 State Aid	N/A	4,976	4,976
<u>THE OFFICE OF ATTORNEY GENERAL</u>			
2023 Safe Oklahoma Grant	N/A	12,137	12,137
<u>OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT TRUST</u>			
Policy and Built Environment Change and Innovations in Active Living and Healthy Eating	N/A	90,750	67,999
Healthy Incentive Program Grant for Communities	N/A	10,000	-
TOTAL OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT TRUST		<u>100,750</u>	<u>67,999</u>
<u>OKLAHOMA AERONAUTICS COMMISSION:</u>			
Airport Runway Construction	N/A	538,746	388,111
Airport Hangar Constuction	N/A	300,000	212,134
TOTAL OKLAHOMA AERONAUTICS COMMISSION		<u>838,746</u>	<u>600,245</u>
Total State Awards		<u>\$ 966,662</u>	<u>\$ 695,410</u>

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

SINGLE AUDIT AND INTERNAL CONTROL COMPLIANCE INFORMATION



**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 Pauls Valley, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pauls Valley, Oklahoma (the “City”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated September 25, 2024. Our report included an emphasis-of-a-matter paragraph related to the City’s use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompany schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003 to be material weaknesses.

HSPG & ASSOCIATES, PC

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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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2023-001.

City's Response to Finding

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

Purpose of this Report

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

HSPG & Associates, P.C.

September 25, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Mayor and the Members of the City Council
City of Pauls Valley, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Pauls Valley, Oklahoma's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit.

HSPG & ASSOCIATES, PC

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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a

federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-004 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 25, 2024, which contained unmodified opinions on those financial statements. Our report included an emphasis-of-a-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

HSPG & Associates, P.C.

September 25, 2024

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

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

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

Federal Grantor/Pass Through Agency Grantor/Program Title	Federal AL Number	Grant #	Award Amount	Awards Expended
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF LIBRARY SERVICES AND TECHNOLOGY:</u>				
Passed through OK Department of Libraries:				
Health Literacy Grant	45.310	2023	9,000	9,000
ARPA Targeted Grants to Libraries (FY23)	45.310	2023	1,435	-
Online Reading Pilot Grant	45.310	2023	990	990
ARPA Multifunction Printer Grant	45.310	2023	1,000	1,000
SUBTOTAL			<u>12,425</u>	<u>10,990</u>
Passed through OK Humanities:				
Let's Talk About It, OK	45.164	Y23.006	1,500	1,500
Let's Talk About It, OK	45.164	Y23.053	1,500	-
SUBTOTAL			<u>3,000</u>	<u>1,500</u>
TOTAL U.S. DEPARTMENT OF LIBRARY SERVICES AND TECHNOLOGY			<u>15,425</u>	<u>12,490</u>
<u>U.S DEPARTMENT OF TREASURY:</u>				
ARPA	21.027		1,072,202	851,370
<u>U.S DEPARTMENT OF AGRICULTURE:</u>				
Drinking Water Grant	10.763	ECWAG Grant	1,000,000	-
<u>U.S DEPARTMENT OF TRANSPORTATION:</u>				
Federal Aviation Administration:				
Airport Improvement Grant	20.106	3-40-0076-017-2021	1,017,735	659,608
Total Federal Awards			<u>\$ 3,105,362</u>	<u>\$ 1,523,468</u>

See accompanying notes

CITY OF PAULS VALLEY, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
Year Ended June 30, 2023

1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Pauls Valley, Oklahoma (the “City”) for the year ended June 30, 2023 and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirement of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. Indirect Cost Rate

The City did not elect to use the 10 percent de minimis indirect cost as covered in 2 CFR 200.414.

3. Subrecipients

The City did not provide federal awards to subrecipients during the year ended June 30, 2023.

CITY OF PAULS VALLEY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED June 30, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes no

Significant deficiency(ies) identified?

 X yes none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 yes X no

Significant deficiency(ies) identified?

 X yes none reported

Type of auditor’s report issued on compliance
for major federal programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)?

 X yes no

Identification of major federal programs:

CFDA Number(s)
21.027

Name of Federal Program or Cluster
Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish
Between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 yes X no

CITY OF PAULS VALLEY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

2023-001 to 2023-003

Internal Control Findings

2023-001 to 2023-003

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

2023-004

Internal Control Findings

2023-004

CITY OF PAULS VALLEY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED June 30, 2023

Financial Statement Findings

Finding 2023-001 Uncollateralized Deposits

Criteria: Oklahoma state statutes require that the City obtain and hold collateral with a fair value that equals or exceeds the amount of any uninsured deposits.

Condition: At June 30, 2023, the City's deposits at a financial institution were under-collateralized by approximately \$395,000.

Cause: Management did not have controls in place to ensure sufficient collateral equal to or exceeding the amount of uninsured deposits was obtained at all financial institutions.

Effect: The City was not in compliance with state statutes as of June 30, 2023.

Recommendation: The amount of collateral pledged for the security of the City's deposits should be consistent with the provisions of relevant state statutes. Management should perform a review at least quarterly to verify that there is collateral pledged with a fair value equal to or exceeding the amount of any uninsured deposits at all financial institutions at which deposits exceed federally insured limits.

Views of Responsive Officials of Auditee: Management agrees with the finding and will take necessary steps to prevent this from happening in the future.

Finding 2023-002 Payroll

Condition: The City lacks controls over the preparation and review of payroll for city employees. There are no documented processes or controls in place to ensure payroll accuracy, approval, or compliance with applicable laws and regulations.

Criteria: Entities should implement effective internal controls to ensure that financial reporting, including payroll processes, is accurate and reliable. Controls must be in place to mitigate risks of significant errors or fraud, including payroll processing errors and unauthorized changes.

Effect: The absence of payroll controls constitutes a material weakness in the City's internal control structure. This deficiency significantly increases the risk of material misstatement in the City's financial statements, whether due to error or fraud.

Cause: The City has failed to establish proper internal control policies and procedures for payroll preparation, review, and approval.

Recommendation: We recommend the City take steps to develop and implement comprehensive payroll controls, including ensuring segregation of duties, implementing a review and approval process, and providing periodic monitoring of payroll transactions to detect and prevent errors.

Views of Responsible Officials of Auditee: Management agrees with the finding and implemented controls in July 2024.

Finding 2023-003 Utility Billings

Condition: The City lacks controls over the preparation and review of utility billings. There are no documented processes or controls in place to ensure utility billings are properly computed and charged in accordance with approved rates.

Criteria: The City should have effective internal controls to ensure that financial reporting, including utility billings, is accurate and reliable. Controls must be in place to mitigate risks of significant errors or fraud, including processing errors and unauthorized changes.

Effect: The absence of utility billing controls constitutes a material weakness in the City's internal control structure. This deficiency significantly increases the risk of material misstatement in the City's financial statements, whether due to error or fraud.

Cause: The City has failed to establish proper internal control policies and procedures for utility billings.

Recommendation: We recommend the City take steps to develop and implement utility billing controls, including ensuring segregation of duties, implementing a review and approval process, and providing periodic monitoring of utility billings to detect and prevent errors.

Views of Responsible Officials of Auditee: Management agrees with the finding and will take necessary steps to prevent this from happening in the future.

Federal Awards Findings

Finding 2023-004 Reporting All Assistance Listing Numbers

Finding: The Single Audit reporting package was not submitted to the Federal Clearinghouse within the required time frame.

Criteria: Uniform Guidance 2 CFR 200.512 requires the organization's audit must be completed and the data collection form and reporting package should be submitted within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period.

Condition: The Single Audit package for the City's year ended June 30, 2023 should have been submitted by March 31, 2024. The audit was not completed until September 25, 2024.

Cause: The City experienced resource constraints during the year preventing the timely completion of its annual audit and related compliance testing.

Effect: Potential suspension of funding provided by federal agencies.

Recommendation: We recommend the City file the reporting package timely to the Federal Audit Clearinghouse.

Views of Responsible Officials of Auditee: Management agrees with the finding and will take necessary steps to prevent this from happening in the future.

CITY OF PAULS VALLEY, OKLAHOMA
SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

None

Internal Control Findings

None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None

Internal Control Findings

None