

***Town of Adair***  
***Mayes County, Oklahoma***

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended  
June 30, 2023

***Town of Adair  
Mayes County, Oklahoma***

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## Independent Auditor's Report

Town of Adair  
To Management:

### Report on the Audit of the Financial Statements

#### **Opinion**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Adair, Oklahoma, as of June 30, 2023, and the respective changes in modified cash basis financial position, and cash flows 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 Town of Adair, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matter**

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 the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Adair, Oklahoma's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2024, on our consideration of the Town of Adair, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Town of Adair, Oklahoma '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 Town of Adair, Oklahoma 's internal control over financial reporting and compliance.

## **Supplementary Information**

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

## **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section 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 on them.

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 me materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement exists, we are required to describe it in our report.

*Hood & Associates, CPAs PC*

Hood & Associates, CPAs, P.C.  
Certified Public Accountants

Tulsa, Oklahoma  
February 2, 2024



*Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*

Town of Adair, 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 of the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Adair, as of and for the year ended June 30, 2023, which collectively comprise the Town of Adair's basic financial statements and have issued our report thereon dated February 2, 2024.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Hood & Associates, CPAs PC*

Hood & Associates CPAs, PC  
February 2, 2024

HOOD & ASSOCIATES CPAs, P.C.

HOODCPAS.COM

***Town of Adair***  
Management Discussion & Analysis  
June 30, 2023

Our discussion and analysis of the *Town of Adair* financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the Town's financial statements that begin on Page 6. Since this is the first year the town has reported under the GASB 34 model, comparisons with prior fiscal years are not provided.

**FINANCIAL HIGHLIGHTS**

The Town's total revenues exceeded expenditures by \$107,553 for the year, resulting in an increase in total net assets of the previous year.

The operation of its business-type activities, the Adair Municipal Authority (AMA), resulted in expenditures exceeding revenues by \$49,722, with an increase in net assets.

**USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34 and No. 54.

**Report Components**

This annual report consists of three parts as follows:

**Government-Wide Financial Statements:** The Statement of Net Position and the Statement of Activities (on pages 6-7) provide information about the activities of the Town government-wide (or "as a whole") and present a longer-term view of the Town's finances.

**Fund Financial Statements:** Fund financial (starting on page 8) focus on the individual parts of the Town government. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about activities the Town operates like businesses, such as the water, sewer, and sanitation services.

**Notes to the Financial Statements:** The notes (on pages 15-25) to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the notes (referred to as "the basic financial statements").

***Town of Adair***  
Management Discussion & Analysis  
June 30, 2023  
(continued)

**USING THIS ANNUAL REPORT (continued)**

**Basis of Accounting**

The Town has elected to present its financial statements on the modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America as applicable for governmental units. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities.

**Reporting the Town as a Whole**

*The Town's Reporting Entity Presentation*

This annual report includes all activities for which the *Town of Adair* Town Board is fiscally responsible. These activities, defined as the Town's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entities:

- The Town of Adair
- The Town of Adair Municipal Authority
- The Town of Adair Economic Development Authority

*The Government-Wide Statement of Net Position and the Statement of Activities*

Our financial analysis of the Town as a whole begins on page 6. The government-wide financial statements are presented on pages 6-7. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all of the Town's assets and liabilities resulting from the use of the accrual basis of accounting.



***Town of Adair***  
Management Discussion & Analysis  
June 30, 2023  
(continued)

**USING THIS ANNUAL REPORT (continued)**  
**Reporting the Town as a Whole (continued)**

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets – the difference between assets and liabilities – as one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in Town's sales tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into three kinds of activities:

*Governmental activities* – Most of the Town's basic services are reported here, including the police, general administration, streets and parks. Sales taxes, franchise fees, fines and state and federal grants finance most of these activities.

*Business-type activities* – The Town charges a fee to customers to help it cover all or most of certain services it provides. The Town's water, sewer and sanitation systems are reported here.

*Fiduciary funds* – These funds are used to account for assets that are held in a trustee or fiduciary account.

**The Fund Financial Statements**

Our analysis of the Town's funds begins on page 8. The fund financial statements begin on page 8 and provide detailed information about the most significant activities – not the Town as a whole. Some funds are required to be established by State Law and by bond covenants. However, the Town Council establishes certain other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds – governmental and proprietary – use different accounting approaches.

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

We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund statements. The Town considers the General Fund and the Firefighter Fund to be its significant or major governmental funds. The other governmental fund is in a single column.

*Proprietary funds* – When the town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. 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. In fact, the Town's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements, but the fund statements provide more detail and additional information, such as cash flows. The Town has enterprise funds – the Adair Municipal Authority.

***Town of Adair***  
**Management Discussion & Analysis**  
**June 30, 2023**  
**(continued)**

**USING THIS ANNUAL REPORT (continued)**  
**The Fund Financial Statements (continued)**

***Fiduciary funds*** – These funds are the Adair Economic Development Authority.

**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

***Government-Wide Net Assets***

The Statement of Net Position looks at the Town as a whole and is a useful indicator of the Town's overall financial position, but other factors should also be considered when evaluating the Town's financial picture for FY2023. Since only current year numbers covered in this audit report, a prior year comparison is not presented.

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Component Unit</u></b>
Current and other assets	\$ 887,783	\$ 162,724	\$ 72,585
Capital assets	<u>915,493</u>	<u>2,921,412</u>	<u>-</u>
<b>Total Assets</b>	<u>1,803,276</u>	<u>3,084,136</u>	<u>72,585</u>
Long-term debt outstanding	<u>29,370</u>	<u>691,272</u>	<u>-</u>
<b>Total Liabilities</b>	<u>29,370</u>	<u>691,272</u>	<u>-</u>
Net assets			
Invested in capital assets, Net of related debt	886,122	2,277,525	-
Restricted			
Restricted	724,316	44,801	-
Unrestricted	<u>163,467</u>	<u>70,538</u>	<u>72,585</u>
<b>Total Net Assets</b>	<u>\$ 1,773,905</u>	<u>\$ 2,392,864</u>	<u>\$ 72,585</u>

**GOVERNMENTAL ACTIVITIES**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

For the year ended June 30, 2023, total expenses for governmental activities amounted to \$823,090. Of these total expenses, taxpayers, grants, fees and other general revenues funded \$930,643. This resulted in a positive change in net assets of \$107,553.

***Town of Adair***  
Management Discussion & Analysis  
June 30, 2023  
(continued)

**USING THIS ANNUAL REPORT (continued)**  
**The Fund Financial Statements (continued)**

**BUSINESS-TYPE ACTIVITIES**

In reviewing the business-type activities' net (expense)/revenue there are certain activities that need to be examined more closely. The water, sewer, and sanitation service activities reported revenues of \$319,767. Additional revenues received were grants and sales tax of \$206,297 and interest income of \$943. Total revenues were \$527,008 and total expenses were \$576,729. This resulted in a negative change in net assets of \$49,722 for the year.

**General Fund Budgetary Highlights**

The Town's budget is prepared in accordance with Oklahoma law and is based on the beginning surplus plus ninety percent of the previous years recurring revenues. The most significant budgeted fund is the General Fund. An annual appropriation budget is required for the general fund. The Town council is provided with a detailed line-item budget for the general fund. Normally several meetings are devoted to discussion and explanation of the proposed budget by staff. The Town council may transfer appropriations from one line item to another after the budget is adopted by the Town Council. The Council must approve any budget amendments that would alter total budget or make any interfund transfers of money. The Town council closely monitors the budget through the year through the use of monthly financial statements comparing budget to actual revenues and expenditures.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2023, the Town had \$3,836,905 invested in capital assets, net of depreciation, including police equipment, buildings, park facilities, water and sewer lines.

**Long-Term Debt**

At June 30, 2023, the Town had \$643,887 in long-term debt. The debt is related to business-type activities, the Town's long-term debt comprises capital debt obligations.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk's office at P.O. Box 198, Adair, Oklahoma 74330 or telephone 918-785-2432.

**Town of Adair**  
**Mayes County, Oklahoma**  
*Statement of Net Position – Modified Cash Basis*  
*Government Wide*  
June 30, 2023

	Primary Government			Component
	Governmental	Business-Type	Totals	Unit
	Activities	Activities		
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 373,836	\$ 97,019	\$ 470,855	\$ 61,748
Cash held by third parties	487,467	-	487,467	-
Accounts Receivable	-	-	-	10,837
Due from other governments	26,480	-	26,480	-
Total Current Assets	<u>887,783</u>	<u>97,019</u>	<u>984,802</u>	<u>72,585</u>
Non-current Assets:				
Restricted Assets:				
Cash and Cash Equivalents	-	65,705	65,705	-
Capital Assets:				
Property, Plant & Equipment, net	915,493	2,921,412	3,836,905	-
Total Non-current Assets	<u>915,493</u>	<u>2,987,117</u>	<u>3,902,610</u>	<u>-</u>
Total Assets	<u>1,803,276</u>	<u>3,084,136</u>	<u>4,887,411</u>	<u>72,585</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Customer Deposits	-	20,905	20,905	-
Accounts Payable	-	26,480	26,480	-
Current Portion of Long Term Debt	18,900	72,897	91,797	-
Total Current Liabilities	<u>18,900</u>	<u>120,282</u>	<u>139,182</u>	<u>-</u>
Non-current Liabilities:				
Capital Leases Payable	10,470	-	10,470	-
Notes Payable	-	570,990	570,990	-
Total Long Term Liabilities	<u>10,470</u>	<u>570,990</u>	<u>581,460</u>	<u>-</u>
Total Liabilities	<u>29,370</u>	<u>691,272</u>	<u>720,642</u>	<u>-</u>
<b>NET POSITION</b>				
Invested in capital assets,				
net of related debt	886,123	2,277,525	3,163,647	-
Unrestricted	163,467	70,539	234,005	-
Restricted:				
Meter Deposit Funds	-	44,800	44,801	-
Firefighter Fund	487,647	-	487,647	-
Other Governmental Funds	236,848	-	236,849	72,585
Total Net Position	<u>\$ 1,773,905</u>	<u>\$ 2,392,864</u>	<u>\$ 4,166,769</u>	<u>\$ 72,585</u>

*The accompanying notes are an integral part of the combined financial statements.*

**Town of Adair**  
**Mayes County, Oklahoma**  
*Statement of Activities – Modified Cash Basis*  
*Government Wide*  
June 30, 2023

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating/Capital Grants and Contributions</u>	<u>Net (Expense) Revenues</u>
<b><u>Functions/Programs:</u></b>				
Primary Government:				
General Government	\$ 432,646	\$ 95,009	\$ -	\$ (337,637)
Police Department	260,852	99,284	-	(161,568)
Fire Department	77,146	86,988	121,494	131,336
Street Department	<u>52,446</u>	<u>-</u>	<u>-</u>	<u>(52,446)</u>
Total Governmental Activities	823,090	281,281	121,494	(420,315)
Business-Type Activities:				
Municipal Authority	<u>576,729</u>	<u>319,767</u>	<u>49,122</u>	<u>(207,840)</u>
Total Town of Adair	<u>\$ 1,399,819</u>	<u>\$ 601,048</u>	<u>\$ 170,616</u>	<u>\$ (628,156)</u>
Component Units:				
Adair Dev. Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
		<u>Primary Government</u>		
		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Changes in Net Assets:				<u>Component Units</u>
Net (expense) revenue		<u>\$ (420,315)</u>	<u>\$ (207,840)</u>	<u>\$ (628,156)</u>
General revenues:				
Taxes:				
Sales Tax	430,432	-	430,432	-
Use Tax	51,048	-	51,048	-
Alcoholic Beverage Tax	10,449	-	10,449	-
Franchise Tax	21,517	-	21,517	-
Cigarette Tax	2,936	-	2,936	-
Restricted for transportation purposes:				
Motor Vehicle Tax	6,043	-	6,043	-
Wastewater Tax	-	157,175	157,175	-
Sale/Rental of Property	4,125	-	4,125	-
Interest income	<u>1,318</u>	<u>943</u>	<u>2,263</u>	<u>3</u>
Total revenues	<u>527,868</u>	<u>158,118</u>	<u>685,988</u>	<u>3</u>
Change in Net Assets	107,553	(49,722)	57,832	3
Net Position-beginning	<u>1,666,352</u>	<u>2,442,586</u>	<u>4,108,938</u>	<u>72,582</u>
Net Position -ending	<u>\$ 1,773,905</u>	<u>\$ 2,392,864</u>	<u>\$ 4,166,770</u>	<u>\$ 72,585</u>

*The accompanying notes are an integral part of the combined financial statements.*

***Town of Adair***  
***Mayes County, Oklahoma***  
*Balance Sheet – Modified Cash Basis*  
*Governmental Funds*  
June 30, 2023

	General Fund	Firefighter Fund	Other Governmental Funds	Totals
<b>ASSETS</b>				
Cash	\$ 136,987	\$ -	\$ 236,849	\$ 373,836
Cash held with third parties	-	487,467	-	487,467
Due from other governments	<u>26,480</u>	<u>-</u>	<u>-</u>	<u>26,480</u>
Total Assets	<u><u>\$ 163,467</u></u>	<u><u>\$ 487,467</u></u>	<u><u>\$ 236,849</u></u>	<u><u>\$ 887,783</u></u>
<b>LIABILITIES &amp; FUND BALANCES</b>				
Fund Balances:				
Unassigned	\$ 163,467	\$ -	\$ -	\$ 163,467
Assigned	<u>-</u>	<u>487,467</u>	<u>236,849</u>	<u>724,316</u>
Total Fund Balances	<u>163,467</u>	<u>487,467</u>	<u>236,849</u>	<u>887,783</u>
Total Liabilities & Fund Balances	<u><u>\$ 163,467</u></u>	<u><u>\$ 487,467</u></u>	<u><u>\$ 236,849</u></u>	<u><u>\$ 887,783</u></u>

*The accompanying notes are an integral part of the combined financial statements.*

***Town of Adair***  
***Mayes County, Oklahoma***  
*Reconciliation of Governmental Funds Balance Sheet – Modified Cash Basis*  
*to the Statement of Net Position*  
June 30, 2023

<b>Total Fund Balances – Governmental Funds</b>	\$ 887,783
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Amounts reported for governmental activities in the statement of net assets are different  
Because:

Capital lease payable	(29,370)
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Capital assets used in governmental activities are not financial resources and  
Therefore are not reported in the funds. These assets consist of:

Property and Equipment, net of depreciation	<u>915,493</u>
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<b>Net Position of Governmental Activities</b>	<u><u>\$ 1,773,905</u></u>
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*The accompanying notes are an integral part of the combined financial statements.*

***Town of Adair***  
***Mayes County, Oklahoma***  
*Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis*  
*Governmental Funds*  
June 30, 2023

	General Fund	Firefighter Fund	Other Governmental Funds	Totals
<b>REVENUES</b>				
Charges for Services	\$ -	\$ -	\$ 84,853	\$ 84,853
Fines	70,866	-	28,170	99,036
Investment Income	1,318	-	-	1,318
Grants Received	-	-	121,494	121,494
Miscellaneous	1,010	-	2,385	3,395
Rental of Property	4,125	-	-	4,125
Taxes	<u>405,231</u>	<u>111,153</u>	<u>6,043</u>	<u>522,427</u>
Total Revenues	<u>482,550</u>	<u>111,153</u>	<u>242,945</u>	<u>836,648</u>
<b>EXPENDITURES</b>				
Current:				
Personal Services	325,522	-	-	325,522
Maintenance & Operation	<u>277,706</u>	<u>46,512</u>	<u>83,375</u>	<u>407,593</u>
Total Expenditures	<u>603,228</u>	<u>46,512</u>	<u>87,375</u>	<u>733,115</u>
Excess (deficit) of revenues over expenditures				
Before operating transfers in and out	(120,678)	64,641	159,570	103,533
Transfers in (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues over expenditures	(120,678)	64,641	159,570	103,533
Fund Balance-Beginning	<u>284,145</u>	<u>422,826</u>	<u>77,279</u>	<u>784,250</u>
Fund Balance-Ending	<u>\$ 163,467</u>	<u>\$ 487,467</u>	<u>\$ 236,849</u>	<u>\$ 887,783</u>

*The accompanying notes are an integral part of the combined financial statements.*



***Town of Adair***  
***Mayes County, Oklahoma***  
*Reconciliation of Change in Fund Balances of Governmental Funds – Modified Cash Basis*  
*to the Statement of Activities*  
June 30, 2023

<b>Net Change in Fund Balances – Total Governmental Funds</b>	\$ 103,533
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Amounts reported for governmental activities in the statement of activities are different because:

Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Asset Contribution	94,000
Capital Outlays and Lease Payments	26,372
Depreciation Expenses	<u>(116,352)</u>

<b>Change in Net Assets of Governmental Activities</b>	<u>\$ 107,553</u>
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*The accompanying notes are an integral part of the combined financial statements.*

***Town of Adair***  
***Mayes County, Oklahoma***  
*Statement of Net Position – Modified Cash Basis*  
*Proprietary Funds-Enterprise Funds*  
June 30, 2023

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 97,019
Total Current Assets	<u>97,019</u>

Non-current Assets:

Restricted Assets:

Cash and Cash Equivalents	45,705
Investments	20,000

Capital Assets:

Property, plant and equipment, net of accumulated depreciation	<u>2,921,412</u>
Total Non-current Assets	<u>2,987,117</u>

Total Assets	<u>3,084,136</u>
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**LIABILITIES**

Current Liabilities:

Accounts Payable	26,480
Meter Deposits Payable	20,905
Current Portion of Notes Payable	<u>72,897</u>
Total Current Liabilities	120,282

Long Term Liabilities:

Note Payable	<u>570,990</u>
Total Liabilities	<u>691,272</u>

**NET POSITION**

Invested in capital assets, net of related debt	2,277,525
Restricted	44,800
Unrestricted	<u>70,539</u>
Total Net Position	<u>\$ 2,392,864</u>

*The accompanying notes are an integral part of the combined financial statements.*

***Town of Adair***  
**Mayes County, Oklahoma**  
*Statement of Revenues, Expenses and*  
*Changes in Fund Net Position – Modified Cash Basis*  
*Proprietary Funds*  
June 30, 2023

**Operating Revenues:**

Sales –Water	\$ 183,200
Sales – Trash	79,938
Sales – Sewer	51,949
Other Revenues	<u>4,680</u>
Total Operating Revenues	<u>319,767</u>

**Operating Expenses:**

Personal Services	
Salaries and Payroll Expenses	57,592
Fuel and Gas	3,885
Insurance and Bonds	937
Depreciation	91,717
Miscellaneous	5,729
Trash Services	77,552
Postage	1,646
Legal and Professional	9,451
Supplies	103
Office Supplies	315
Fees and Licenses	10,748
Utilities/Telephones	4,792
Water Processing and Analysis	1,450
Water Purchased	129,338
Capital Outlay	49,122
Repairs and Maintenance	<u>81,154</u>
Total Operating Expenses	<u>525,531</u>
 Operating Loss	 <u>(205,764)</u>

**Non-Operating Revenues (Expenses):**

Wastewater Tax Revenues	157,175
Interest Expense	(51,198)
Grant Revenues	49,122
Interest Revenues	<u>943</u>
Total Non-Operating Revenues (Expenses)	<u>156,042</u>
 Change in Net Assets	 (49,722)
Total Net Position-Beginning	<u>2,442,586</u>
Total Net Position-Ending	<u>\$ 2,392,864</u>

*The accompanying notes are an integral part of the combined financial statements.*

*Town of Adair*  
*Mayes County, Oklahoma*  
*Statement of Cash Flows – Modified Cash Basis*  
*Proprietary Fund Type - Enterprise Fund*  
For the Year Ended June 30, 2023

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash inflows:

Cash received from customers	\$ 318,047
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Cash outflows:

Cash paid for personal services	57,592
Payments for supplies and other goods and services	376,222
Total cash outflows	433,814
Net Cash Provided (Used) by Operating Activities	(115,767)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Sales tax/wastewater tax revenue received	157,175
Net Advances	26,478
Grant revenues received	49,122
Net Cash Provided (Used) by NonCapital Financial Activities	232,775

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Purchase of fixed assets	(26,480)
Interest paid on capital debt	(51,198)
Principal paid on capital debt	(37,223)
Net Cash Provided (Used) by Capital and Related Financing Activities	(114,901)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Cash paid for CD	(20,000)
Interest and dividends on investments	943
Net Cash Provided (Used) by Capital and Related Financing Activities	(19,057)

Net increase (decrease) in cash	(16,950)
Cash and cash equivalents, beginning of year	159,675
Cash and cash equivalents, end of year	\$ 142,725

**Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:**

Operating loss	\$ (205,764)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	91,717
Net changes in assets and liabilities:	
Meter deposits payable	(1,720)
Net cash provided (used) by operating activities	\$ (115,767)

*The accompanying notes are an integral part of the combined financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

*Town of Adair  
Mayes County, Oklahoma  
Notes to the Financial Statements  
June 30, 2023*

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following notes to the financial statements are an integral part of the Town's financial statements.

As discussed further in Note 1, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurements and recognition criteria of the modified cash basis of accounting.

**Reporting Entity**

The Town's financial reporting entity is comprised of the following:

Primary Government:	Town of Adair
Blended Component Unit:	Adair Municipal Authority
Component Unit	Adair Development Authority

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity", and includes all component units of which the Town appointed a voting majority of the units' board and the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's fund is blended into those of the Town's by appropriate activity type to comprise the primary government presentation.

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
Adair Municipal Authority	Created to finance, develop and operate the water and sewer services activities.	Enterprise Fund

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
Adair Development Authority	Created to finance and develop economics.	Discretely Presented Component Unit

*Town of Adair  
Mayes County, Oklahoma  
Notes to the Financial Statements  
June 30, 2023*

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

*Fund Financial Statements:* Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Fund are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- A. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- B. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**GOVERNMENTAL FUNDS**

*General Fund.* This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Special Revenue Funds.* Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specific purposes or designated to finance particular functions or activities of the Town.

**PROPRIETARY FUND**

*Enterprise Fund.* Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund:

Adair Municipal Authority

Accounts for activities of the public trust in providing water and sewer services to the public.

**MAJOR AND NON-MAJOR FUNDS**

*Major:*

General fund

Mayes County FF Fund

Proprietary Fund: Adair Municipal Authority

*Non-Major:*

Street & Alley Fund

Fire Equipment Fund

Police Equipment Fund

Penalty Assessment Fund

Capital Improvement Fund

*Town of Adair*  
*Mayes County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2023

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Measurement Focus, Basis of Accounting**

Measurement focus is a term used to describe “when” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**MEASUREMENT FOCUS**

The government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applied to them.

**BASIS OF ACCOUNTING**

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. The basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short term and long-term liabilities arising from cash transactions or events.

The modified cash basis of accounting differs from GAAP primarily because certain other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustments to the fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

**Cash and Investments**

For the purpose of Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts and certificates of deposit of the Town. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.



*Town of Adair*  
*Mayes County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2023

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Equity Classifications**

*Government-Wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – 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 improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.
- d. Assigned fund balance – amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted or committed.
- e. Nonspendable fund balance – the amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- f. Unassigned fund balance – the fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purpose within the general fund.

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, the unreserved further split between designated. Proprietary fund equity is classified the same as in the government-wide statements.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales, use and franchise taxes. Business-type activities report water and sewer charges as its major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

*Town of Adair*  
*Mayes County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2023

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Fixed Assets**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-Wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50-75
Building improvements	50-75
Vehicles	5-7
Equipment	5-7

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in government-wide statements.

**Restricted Assets**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Restricted assets include funds on deposit representing utility customer meter deposits which are refundable to the customer and funds on deposit required to be reserved by terms of promissory notes.

**Revenues, Expenditures and Expenses**

**SALES TAX**

The town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately on month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the Town in July and August have been accrued and are included under the caption "Due from other governments".

*Town of Adair*  
*Mayes County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2023

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**USE TAX**

The town levies a use-tax on personal property purchased outside the town limits but stored, used or consumed within the town. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received by the vendors. The use taxes are allocated entirely to the General Fund. Use taxes collected by the State in June and July and received by the Town in July and August are included under the caption "Due from other governments".

**OPERATING REVENUES AND EXPENSES**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expense not related to capital and related financing, noncapital financing or investing activities.

**EXPENDITURES/EXPENSES**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:)

Governmental Funds – By Character: Current (further classified by function), Debt Service,  
Capital Outlay  
Proprietary Funds – By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**INTERFUND TRANSFERS**

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the Town and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows:

**Fund Accounting Requirements**

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the town include the following:

Fund  
Municipal Authority Fund

Required By  
Trust Indenture

***Town of Adair***  
***Mayes County, Oklahoma***  
*Notes to the Financial Statements*  
June 30, 2023

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Town invests entirely in certificates of deposit.

The Town's cash deposits, including interest-bearing certificates of deposit are maintained in financial institutions. Those deposits are classified as to credit risk by the following three categories:

- Category 1 - Insured by Federal Deposit Insurance or direct obligations of U.S. Government
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- Category 3 - Uncollateralized.

	Category			Bank Balance
	1	2	3	
Town Cash	\$ 349,141	\$ -	\$ 185,459	\$ 534,600

**Deposits and Investment Laws and Regulations**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note III A., all deposits were fully insured or collateralized.

Investments of the Town (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

- 1- Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
- 2- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;
- 3- With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;

*Town of Adair*  
*Mayes County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2023

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont.d)**

**Deposits and Investment Laws and Regulations ( cont.d)**

- 4- County, municipal or school Town 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 Town;
- 5- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of national mortgage associations;
- 6- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2023, the Town and its public trusts complied, in all material respects, with these investment restrictions.

**Revenue Restrictions**

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source

Gasoline Excise Tax

Commercial Vehicle Tax

Water and Sewer Revenue

Legal Restrictions of Use

Street and Alley Purposes

Street and Alley Purposes

Debt Service and Utility Operations

For the year ended June 30, 2023, the Town complied, in all material respects, with those revenue restrictions.

**Debt Restrictions and Covenants**

**GENERAL OBLIGATION DEBT**

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2023, the Town had no outstanding general obligation debt.

**OTHER LONG-TERM DEBT**

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2023, the Town incurred no such indebtedness.

**Town of Adair**  
**Mayes County, Oklahoma**  
*Notes to the Financial Statements*  
June 30, 2023

**NOTE 3: DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (cont.d)**

**Capital Asset**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 47,974	\$ -	\$ -	\$ 47,974
<i>Capital assets being depreciated:</i>				
Building	493,684	94,000	-	587,684
Equipment	<u>1,801,128</u>	<u>-</u>	<u>-</u>	<u>1,801,128</u>
Total capital assets being depreciated	2,342,786	<u>\$ 94,000</u>	<u>\$ -</u>	2,436,786
Less accumulated depreciation	<u>1,404,940</u>	<u>\$ 116,353</u>	<u>\$ -</u>	<u>1,521,293</u>
Governmental activity capital assets, net	<u>\$ 937,846</u>			<u>\$ 915,493</u>
<b>Business-type activities:</b>				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
<i>Capital assets being depreciated:</i>				
Equipment	150,831	-	-	150,831
Water System	2,098,560	-	-	2,098,560
Sewer System	<u>1,996,977</u>	<u>26,480</u>	<u>-</u>	<u>2,023,457</u>
Total capital assets being depreciated	4,247,368	<u>\$ 26,480</u>	<u>\$ -</u>	4,273,848
Less accumulated depreciation for:				
Sewer/Water System and equipment	<u>1,260,721</u>	<u>\$ 91,717</u>	<u>\$ -</u>	<u>1,352,438</u>
Business-type activity capital assets, net	<u>\$2,986,648</u>			<u>\$ 2,921,412</u>

**Restricted Assets**

Certain loan agreements of the Adair Municipal Authority require the maintenance of prescribed amounts of cash that can be used only to service outstanding debt and for unforeseen contingencies. Also included are reserves of meter deposits held for customers, and the accrued interest thereon.

Following is a summary of restricted assets held:

Reserved for debt retirement	\$ 18,760
BancFirst – 2011 Debt Service	8,945
BancFirst – 2009 Debt Service	15,804
2000 OWRB	100
Reserved for Customer Meter Deposits	20,000
Project Account	1,997
Cash – CDBG Grant 9322	<u>100</u>
<i>Total Restricted Assets</i>	<u>\$ 65,706</u>

**Accounts Receivable**

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales tax, motor vehicle collections and gasoline tax, and alcoholic beverage tax. Accounts receivable of the business-type activities consists of utilities, sales tax receivable and loan reimbursement receivable.

**Retirement Funds**

The Town offers its employees the opportunity to all regular, full-time employees except police, firefighters and other employees who are covered under an approved system. The employee may contribute up to 3.75% of his/her pay and the town will *contribute* 8.69% of the participant payroll.

**Compensated Absences**

The Town compensated absences cannot be determined and is not accrued as a liability in the financial statements.

***Town of Adair***  
***Mayes County, Oklahoma***  
*Notes to the Financial Statements*  
June 30, 2023

**NOTE 4: NOTES PAYABLE**

On September 1, 2009 the Adair Municipal Authority entered into a promissory note with Oklahoma Water Resources Board for Series 2009 Clean Water SRF Loan in a total amount of \$1,400,000 to require interest at a rate of 2.71%. The loan will mature on March 15, 2030.

The following is a schedule of principal debt maturities for the next five years:

<u>Date</u>	<u>Principal</u>
6-30-24	48,413
6-30-25	49,778
6-30-26	51,155
6-30-27	52,571
6-30-28	54,014

On September 14, 2010 the Adair Municipal Authority entered into a promissory note with Oklahoma Water Resources Board for Series 2010 Drinking Water SRF Loan in a total amount of \$830,000 to require interest at a rate of 3.62%. The loan will mature on September 15, 2031.

The following is a schedule of principal debt maturities for the next five years:

<u>Date</u>	<u>Principal</u>
6-30-24	24,484
6-30-25	25,414
6-30-26	26,356
6-30-27	27,332
6-30-28	28,332

Changes in Long Term Debt:

<u>Balance @</u>		<u>Balance @</u>	<u>Due</u>
<u>7/1/22</u>	<u>Increases</u>	<u>6/30/23</u>	<u>One Year</u>
<u>\$ 681,111</u>	<u>\$ -</u>	<u>\$ 643,885</u>	<u>\$ 72,897</u>

**NOTE 5: OPERATING LEASES**

The reporting entity has entered into four operating leases with the Bank of Commerce in Adair, Oklahoma. The lease agreements contain cancellation provisions and are subject to annual appropriations.

Lease #1 Entered into agreement on May 7, 2020 for the lease of the 2020 F150 Truck. The lease requires 60 monthly payments of \$685 each beginning June 4, 2020.

Lease #2 Entered into agreement on April 8, 2020 for the lease of a 2020 Chevy Tahoe. The lease requires 60 monthly payments of \$659 each beginning May 8, 2020.

Lease #3 Entered into agreement on March 5, 2020 for the lease of a 2017 Ford. The lease requires 60 monthly payments of \$678 each beginning April 5, 2020.

Lease #4 Entered into agreement on April 16, 2018 for the lease of a 2018 Duramax. The lease requires 60 monthly payments of \$445 each beginning May 8, 2020.

*Town of Adair*  
*Mayes County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2023

**NOTE 6: OTHER INFORMATION**

**Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Town purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**Commitments and Contingencies**

As of June 30, 2023 the Town had no pending or threatened litigation during the year.

**Subsequent Events**

Management has evaluated subsequent events through February 2, 2024, the date the financial statements were issued. No subsequent events were identified that required adjustment to or disclosure in the financial statements.



## SUPPLEMENTARY INFORMATION

***Town of Adair***  
***Mayes County, Oklahoma***  
*Budget and Actual - General Fund*  
 Budgeted Governmental Fund Types  
 For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget Variance</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Actual</u>	<u>Final to Actual</u>
<u>Revenues:</u>					
Local sources	\$ 97,011	\$ 97,011	\$ 76,310	\$ (20,701)	\$ (20,701)
State Sources	344,314	344,314	405,231	60,917	60,917
Miscellaneous	<u>4,237</u>	<u>4,237</u>	<u>1,010</u>	<u>(3,227)</u>	<u>(3,227)</u>
Total revenues	<u>445,562</u>	<u>445,562</u>	<u>482,550</u>	<u>36,988</u>	<u>36,988</u>
<u>Expenditures</u>					
Personal Services	320,200	320,200	325,522	5,322	5,322
Maintenance/Operations	162,900	162,900	277,706	114,806	114,806
Capital Outlay	<u>240,403</u>	<u>240,403</u>	<u>-</u>	<u>(240,403)</u>	<u>(240,403)</u>
	<u>723,503</u>	<u>723,503</u>	<u>603,228</u>	<u>(120,275)</u>	<u>(120,275)</u>
Excess of Revenues over/(under) expenditures Before Other Sources/(Uses)	(277,941)	(277,941)	(120,678)	157,262	157,262
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues over (under) expenditures	(277,941)	(277,941)	(120,678)	157,262	157,262
Cash Fund Balance, beginning	<u>277,941</u>	<u>277,941</u>	<u>284,145</u>	<u>6,538</u>	<u>6,538</u>
Cash Fund Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,467</u>	<u>\$ 163,800</u>	<u>\$ 163,800</u>

*Town of Adair*  
*Mayes County, Oklahoma*  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023

**A. Audit Findings**

PRIOR YEAR

NONE

CURRENT YEAR

NONE

**B. Questioned Costs**

NONE