

CITY OF CUSHING
Cushing, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2023

CITY OF CUSHING
Cushing, Oklahoma

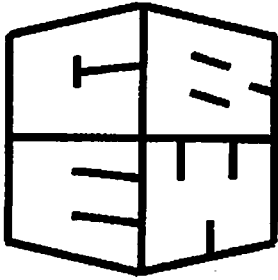
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Cushing, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

September 20, 2023

Honorable Board of City Commissioners
City of Cushing
Cushing, Oklahoma

Report on the Audit of the Financial Statements

Opinions

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 the City of Cushing, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Cushing, Oklahoma'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 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 City of Cushing, Oklahoma, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 of Cushing, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Cushing, 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 City of Cushing, 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 City of Cushing, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension exhibits and budgetary comparison information on pages 4–10 and 55–64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023 on our consideration of the City of Cushing, 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 City of Cushing, 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 City of Cushing, Oklahoma's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
Unaudited

As management of the City of Cushing (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

The total net position of the City funds increased \$1,281,753 this year. Net position of governmental activity funds decreased \$674,589 or -1.24% over the fiscal year.

General revenues accounted for \$9,094,016 or 75.1% of total governmental activities revenue. Program specific revenues accounted for \$3,015,054 or 24.9% of total governmental activities revenue.

Governmental activities capital assets, net-decreased \$157,285, included wellness trail, police vehicles, training tower, various department vehicles, equipment for the ambulance and hospital and depreciation. Business-type activities capital assets, net-increased \$2,055,221, included are Harmony substation expansion, power plant improvements, sewer plant improvements and depreciation.

The City had \$12,027,780 in expenses related to governmental activities; \$3,015,054 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$9,012,726 were offset by general revenues (primarily tax revenues, reimbursements, and investment earnings) of \$9,094,016. Additional transfers from the other funds (primarily the business-type activities) may be needed to offset any additional expenses including capital expenses.

Net position for the business-type activities, which are made up of the Municipal Authority and Educational Facilities Authority increased over the fiscal year by \$1,956,342 or 3.28%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information as well as other supplementary information.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
Unaudited

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (fire, ambulance and police), streets, judicial, airport, health and social services, culture, parks and recreation, public improvements and planning and zoning. The business-type activities of the City include public works (electric, water, sewer and refuse) for the geographical area.

The government-wide financial statements can be found on pages 11–13 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories – governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decision. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and Hospital Authority funds, all of which are considered to be major funds. Data from the other seven funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds and Capital Improvement Funds. Budgetary comparison schedules have been provided for the General Fund, Special Revenue Funds and Capital Improvement Funds that adopts a budget to demonstrate compliance with the budget and are presented as required supplemental information.

The basic governmental fund financial statements can be found on pages 14–17 of this report.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer and refuse and provides educational, recreational and cultural facilities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management and health and disability programs. Because services accounted for in internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
Unaudited

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Cushing Municipal Authority and the Cushing Educational Facilities Authority since they are considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 18–21 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 22–54 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's pension exhibits, budgetary comparisons and corresponding notes. Required supplementary information can be found on pages 55-64 of this report.

Other Information – The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 65-67 of this report.

Governmental-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cushing, assets exceed liabilities by \$115,205,770 as of June 30, 2023.

A large portion of the City's net position (42.23%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. 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 cannot be used to liquidate these liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
Unaudited

City of Cushing's Net Position

	Governmental Activities		Business-Type Activities		Total	
	6/30/23	6/30/22	6/30/23	6/30/22	6/30/23	6/30/22
Current and other assets	\$ 40,769,873	\$ 49,222,025	\$ 46,518,072	\$ 47,988,076	\$ 87,287,945	\$ 97,210,101
Capital assets	31,278,281	31,435,565	28,732,908	33,889,500	60,011,189	65,325,065
Total assets	<u>72,048,154</u>	<u>80,657,590</u>	<u>75,250,980</u>	<u>81,877,576</u>	<u>147,299,134</u>	<u>162,535,166</u>
Deferred outflows	<u>8,719,096</u>	<u>2,771,349</u>	-	-	<u>8,719,096</u>	<u>2,771,349</u>
Long-term liabilities	-	-	11,354,772	19,223,022	11,354,772	19,223,022
Other liabilities	<u>22,245,490</u>	<u>22,345,359</u>	<u>2,300,206</u>	<u>3,014,894</u>	<u>24,545,696</u>	<u>25,360,253</u>
Total liabilities	<u>22,245,490</u>	<u>22,345,359</u>	<u>13,654,978</u>	<u>22,237,916</u>	<u>35,900,468</u>	<u>44,583,275</u>
Deferred inflows	<u>4,911,992</u>	<u>6,799,223</u>	-	-	<u>4,911,992</u>	<u>6,799,223</u>
Net position:						
Net investment in capital assets	31,278,281	31,435,565	17,378,136	14,666,478	48,656,417	46,102,043
Restricted	34,707,085	33,940,039	102,820	85,228	34,809,905	34,025,267
Unrestricted	(12,375,598)	(11,091,247)	44,115,046	44,887,954	31,739,448	33,796,707
Total net position	<u>\$ 53,609,768</u>	<u>\$ 54,284,357</u>	<u>\$ 61,596,002</u>	<u>\$ 59,639,660</u>	<u>\$ 115,205,770</u>	<u>\$ 113,924,017</u>

As of June 30, 2023, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories – governmental and business-type activities.

Analysis of the City's Operations – The following table provides a summary of the City's operations for the year ended June 30, 2023 with comparative totals for the year ended June 30, 2022. Governmental activities decreased the City of Cushing's net position by \$674,589, accounting for -52.63% of the total growth in net position. Business-type activities increased the City's net position by \$1,956,342, accounting for 152.63% of the total decline in net position.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
Unaudited

City of Cushing's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	6/30/23	6/30/22	6/30/23	6/30/22	6/30/23	6/30/22
Revenues:						
Program revenues						
Charges for services	\$ 2,658,514	\$ 2,242,046	\$ 15,675,419	\$ 14,589,401	\$ 18,333,933	\$ 16,831,44
Operating grants and contributions	324,540	1,613,601	-	-	324,540	1,613,60
Capital grants and contributions	32,000	368,321	-	-	32,000	368,32
General revenues:						
Sales, use and cigarette taxes	7,489,823	7,343,829	-	-	7,489,823	7,343,82
Hotel/motel taxes	87,929	87,969	-	-	87,929	87,96
Franchise fees	129,111	119,980	-	-	129,111	119,98
Intergovernmental	122,962	128,462	-	-	122,962	128,46
Investment earnings	497,012	77,017	969,050	107,966	1,466,062	184,98
Miscellaneous	739,972	915,575	76,690	59,708	816,662	975,28
Oil and gas royalty	8,298	3,495	-	-	8,298	3,49
Lease receipts	18,909	19,559	-	-	18,909	19,55
Sale of property	-	-	101,020	193,534	101,020	193,53
Workmen's compensation refund	-	-	-	-	-	-
Change in OPEB liability	(3,837,003)	-	-	-	(3,837,003)	-
Pension changes	3,741,703	1,398,393	-	-	3,741,703	1,398,39
Late charges	-	-	157,125	146,660	157,125	146,66
Total revenues	12,013,770	14,318,247	16,979,304	15,097,269	28,993,074	29,415,51
Expenses:						
General government	1,606,847	1,553,098	-	-	1,606,847	1,553,09
Public safety and judiciary	5,610,404	5,061,136	-	-	5,610,404	5,061,13
Transportation	1,410,015	1,447,351	-	-	1,410,015	1,447,35
Cultural, parks and recreation	1,582,451	1,519,031	-	-	1,582,451	1,519,03
Hospital/economic development	142,419	401,759	-	-	142,419	401,75
Unallocated depreciation	1,675,644	1,636,390	940,921	979,567	2,616,565	2,615,95
Utilities	-	-	14,411,426	15,088,256	14,411,426	15,088,25
Financing	-	-	331,194	55,834	331,194	55,83
Total expenses	12,027,780	11,618,765	15,683,541	16,123,657	27,711,321	27,742,42
Increases in net position						
before transfers	(14,010)	2,699,482	1,295,763	(1,026,388)	1,281,753	1,673,09
Transfers	(660,579)	(660,790)	660,579	660,790	-	-
Increase in net position	(674,589)	2,038,692	1,956,342	(365,598)	1,281,753	1,673,09
Net position - beginning of year	54,284,357	52,245,665	59,639,660	60,005,258	113,924,017	112,250,92
Net position - end of year	\$ 53,609,768	\$ 54,284,357	\$ 61,596,002	\$ 59,639,660	\$ 115,205,770	\$ 113,924,01

Financial Analysis of the Government's Funds

Governmental funds – The focus of the City of Cushing's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved net position may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Cushing's governmental funds reported combined ending net position balances of \$43,472,121. Approximately 20.16% of the total amount \$8,765,036 constitutes unreserved net position. The remainder of the net position is reserved to indicate that it is not available for new spending because it has already been committed 1) for hospital reacquisition (\$308,590), 2) for Special Projects (\$5,764,545), 3) for Youth Center (\$36,187), 4) for capital projects (\$3,522,089) and 5) for the Hospital Authority (\$25,075,674).

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
Unaudited

Proprietary Funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the respective proprietary funds is CMA – \$44,115,046.

Capital Assets

The City of Cushing's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$60,011,189 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements and infrastructure. Major capital asset events during the current fiscal year included the following:

Governmental activities include: wellness trail, police vehicles, training tower, various department vehicles and equipment for the ambulance and hospital.

Business-type activities include: Harmony substation expansion, power plant improvements and sewer plant improvements.

Capital Assets at Year-end Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	6/30/23	6/30/22	6/30/23	6/30/22	6/30/23	6/30/22
Land	\$ 2,937,819	\$ 2,937,819	\$ 932,661	\$ 932,661	\$ 3,870,480	\$ 3,870,480
Buildings & Improvement	21,018,776	21,706,498	26,503,539	24,194,554	47,522,315	45,901,052
Furniture & Equipment	1,152,678	1,071,701	1,085,941	1,274,939	2,238,619	2,346,640
Vehicles	1,666,548	1,657,369	210,767	275,533	1,877,315	1,932,902
Infrastructure	4,502,460	4,062,179	-	-	4,502,460	4,062,179
Total	\$ 31,278,281	\$ 31,435,566	\$ 28,732,908	\$ 26,677,687	\$ 60,011,189	\$ 58,113,253

Additional information on the City of Cushing's capital assets can be found in note 2 on pages 33–34 of this report.

Debt Administration

At the end of the current fiscal year, the City of Cushing had total bonded debt and notes payable of \$11,354,772, which this amount is secured solely by CMA revenues. The non-commitment debt which is paid by Cushing Schools is secured by property taxes received by the school.

Outstanding Debt at Year-end Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	6/30/23	6/30/22	6/30/23	6/30/22	6/30/23	6/30/22
Notes payable	\$ -	\$ -	\$ 6,772	\$ 13,022	\$ 6,772	\$ 13,022
Bonds payable	-	-	11,348,000	12,000,000	11,348,000	12,000,000
CEFA non-commitment	-	-	51,910,000	7,210,000	51,910,000	7,210,000
Total	\$ -	\$ -	\$ 63,264,772	\$ 19,223,022	\$ 63,264,772	\$ 19,223,022

Additional information on the City of Cushing's long-term debt can be found in footnote 2 on pages 36-37 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
Unaudited

Economic Factors and Next Year's Budgets and Rates

In the 2023-24 Budget, General fund revenues are budgeted to remain constant from the 2022-23 budget year. Sales taxes making up about 70% of general fund budgeted revenues. The City's budgets for all funds have benefited from a strong local economy in the past few years. Sales tax is the revenue source that is the most volatile and subject to decline if an economic slowdown happens.

In the 2023-24 Budget, the Municipal Authority is budgeted to operate at a loss even after transfers. This has changed due to increased costs to operate the Municipal Authority.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact Terry Brannon, City Manager, P.O. Box 311, Cushing, OK 74023, or call 918-225-2394.

CITY OF CUSHING
STATEMENT OF NET POSITION
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3)	\$ 15,155,687	\$ 21,203,631	\$ 36,359,318
Investments, at cost	11,867,928	12,843,584	24,711,512
Receivables (net of allowance for uncollectibles):			
Services	8,481,321	1,181,501	9,662,822
Unbilled revenues	-	1,204,507	1,204,507
Taxes	1,287,925	-	1,287,925
Interest	13,041	41,760	54,801
Due to/from other funds (Note 2F)	(724)	724	-
Grants receivable	-	-	-
Prepaid expenses	6,396	1,825	8,221
Net pension asset	3,578,660	-	3,578,660
Restricted assets:			
Cash, insurance deposit	4,131	-	4,131
Accrued interest receivable on bond funds	22,951	-	22,951
Bond fund/cash & investments (Notes 3 & 4)	-	10,040,540	10,040,540
Capital assets:			
Land and non-depreciable assets	2,937,819	787,661	3,725,480
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	28,340,462	27,945,247	56,285,709
Other:			
Inventory receivable (Note 2)	352,557	-	352,557
Total assets	\$ 72,048,154	\$ 75,250,980	\$ 147,299,134
Deferred outflows of resources:			
Deferred amounts related to pensions	8,719,096	-	8,719,096
Total deferred outflows	8,719,096	-	8,719,096
Liabilities:			
Current liabilities:			
Accounts payable	\$ 8,301,326	\$ 1,121,137	\$ 9,422,463
Meter deposits	-	1,020,463	1,020,463
Accrued payroll	2,160	-	2,160
Deferred compensation (Note 4)	1,139,290	-	1,139,290
Deferred revenue	-	-	-
Accrued compensated absences payable (Note 1)	319,729	104,911	424,640
Interest payable	-	-	-
Estimated insurance and unemployment benefits payable (Note 4)	441,932	-	441,932
Payable from restricted assets:			
Interest payable	-	53,695	53,695
Appearance bonds	-	-	-
Notes payable (Note 2)	-	6,250	6,250
Revenue bonds payable (Notes 2 & 3)	-	671,000	671,000
Non-current liabilities:			
OPEB liability	6,442,542	-	6,442,542
Net pension liability	5,598,511	-	5,598,511
Notes payable (Note 3)	-	522	522
Revenue bonds payable (Notes 2 & 3)	-	10,677,000	10,677,000
Total liabilities	22,245,490	13,654,978	35,900,468
Deferred inflows of resources:			
Deferred amounts related to pensions	4,911,992	-	4,911,992
Total deferred inflows	4,911,992	-	4,911,992
Net position:			
Net investment in capital assets	31,278,281	17,378,136	48,656,417
Restricted	34,707,085	102,820	34,809,905
Unrestricted	(12,375,598)	44,115,046	31,739,448
Total net position	\$ 53,609,768	\$ 61,596,002	\$ 115,205,770

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

CITY OF CUSHING
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
Finance	\$ 305,249	\$ -	\$ -	\$ -	\$ (305,249)
City manager	239,318	-	-	-	(239,318)
Human resources	102,578	-	-	-	(102,578)
General government	959,702	109,761	65,265	-	(784,676)
Total general government	<u>1,606,847</u>	<u>109,761</u>	<u>65,265</u>	<u>-</u>	<u>(1,431,821)</u>
Public safety and judiciary:					
City attorney	192,422	-	-	-	(192,422)
Community development	369,248	-	-	-	(369,248)
Fire and ambulance	2,731,822	1,179,086	11,295	-	(1,541,441)
Municipal court	58,004	35,922	-	-	(22,082)
Police	2,077,465	-	24,689	-	(2,052,776)
Animal welfare	78,849	-	-	-	(78,849)
Civil emergency management	102,594	-	-	-	(102,594)
Total public safety and judiciary	<u>5,610,404</u>	<u>1,215,008</u>	<u>35,984</u>	<u>-</u>	<u>(4,359,412)</u>
Transportation:					
Airport	528,977	459,831	-	32,000	(37,146)
Streets	881,038	-	-	-	(881,038)
Total transportation	<u>1,410,015</u>	<u>459,831</u>	<u>-</u>	<u>32,000</u>	<u>(918,184)</u>
Cultural, parks and recreation:					
Lake	9,670	-	-	-	(9,670)
Library/Quadrplex	346,702	1,553	9,692	-	(335,457)
Parks	390,374	-	108,616	-	(281,758)
Senior citizens center	210,224	340	56,515	-	(153,369)
Swimming pool	167,071	111,714	-	-	(55,357)
Youth center	458,410	53,282	4,417	-	(400,711)
Total cultural, parks and recreation	<u>1,582,451</u>	<u>166,889</u>	<u>179,240</u>	<u>-</u>	<u>(1,236,322)</u>
Hospital/economic development					
Hospital activities	2,206	707,025	44,051	-	748,870
Economic development	140,213	-	-	-	(140,213)
Total hospital/economic development	<u>142,419</u>	<u>707,025</u>	<u>44,051</u>	<u>-</u>	<u>608,657</u>
Unallocated depreciation*	1,675,644	-	-	-	(1,675,644)
Total governmental activities	<u>12,027,780</u>	<u>2,658,514</u>	<u>324,540</u>	<u>32,000</u>	<u>(9,012,728)</u>
Business-type activities					
CEFA	3,000	-	-	-	(3,000)
Billing & collection	635,204	-	-	-	(635,204)
General operations	859,530	-	-	-	(859,530)
General manager	397,477	-	-	-	(397,477)
Electric	9,346,833	11,440,880	-	-	2,094,047
Water	1,266,143	1,739,215	-	-	473,072
Sewer	871,626	1,231,908	-	-	360,282
Sanitation	1,031,612	1,188,029	-	-	156,417
Financing costs	331,194	-	-	-	(331,194)
Prison	-	75,387	-	-	75,387
Unallocated depreciation*	940,921	-	-	-	(940,921)
Total business-type activities	<u>15,683,540</u>	<u>15,675,419</u>	<u>-</u>	<u>-</u>	<u>(8,121)</u>
Total	<u>\$ 27,711,320</u>	<u>\$ 18,333,933</u>	<u>\$ 324,540</u>	<u>\$ 32,000</u>	<u>\$ (9,020,847)</u>

* - This amount does not include the depreciation that is included in the direct expenses of various programs.

CITY OF CUSHING
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(9,012,726)	(8,121)	(9,020,847)
General revenues:			
Taxes:			
Sales, use and cigarette taxes	7,489,823	-	7,489,823
Hotel/motel taxes	87,929	-	87,929
Franchise taxes	129,111	-	129,111
Intergovernmental	122,962	-	122,962
Investment earnings	497,012	969,050	1,466,062
Miscellaneous	739,972	76,689	816,661
Oil and gas royalty	8,298	-	8,298
Lease receipts	18,909	-	18,909
Sale of property	-	101,020	101,020
Late charges	-	157,125	157,125
Pension change	3,741,703	-	3,741,703
Change in OPEB liability	(3,837,003)	-	(3,837,003)
Transfers	(660,579)	660,579	-
Total general revenues and transfers	8,338,137	1,964,463	10,302,600
Change in net position	(674,589)	1,956,342	1,281,753
Net position - beginning of year	54,284,357	59,639,660	113,924,017
Net position - end of year	\$ 53,609,768	\$ 61,596,002	\$ 115,205,770

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

**CITY OF CUSHING
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023**

	General Fund	Permanent Fund Hospital Authority	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 3)	\$ 6,112,282	\$ 2,393,179	\$ 6,650,226	\$ 15,155,687
Investments, at cost	2,216,257	6,078,000	3,573,671	11,867,928
Receivables (net of allowance for uncollectibles):				
Accounts receivable	8,473,761	-	7,560	8,481,321
Taxes	1,287,925	-	-	1,287,925
Interest	5,619	-	7,422	13,041
Due from other funds (Note 2F)	34,646	165,256	285,675	485,577
Notes receivable	-	-	-	-
Grants receivable	-	-	-	-
Prepaid expenses	6,383	-	13	6,396
Restricted assets:				
Cash, insurance deposit	4,131	-	-	4,131
Accrued interest receivable on bond funds	-	22,951	-	22,951
Bond fund/cash & investments (Notes 3 & 4)	-	-	-	-
Capital assets				
Land and construction in progress	-	249,869	100,020	349,889
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	-	15,814,818	909	15,815,727
Other:				
Inventory receivable (Note 2)	-	352,557	-	352,557
Total assets	\$ 18,141,004	\$ 25,076,630	\$ 10,625,496	\$ 53,843,130
Liabilities:				
Accounts payable	\$ 8,137,604	\$ 956	\$ 162,766	\$ 8,301,326
Due to other funds (Note 2F)	451,655	-	34,646	486,301
Accrued payroll	-	-	2,160	2,160
Deferred compensation (Note 4)	-	-	1,139,290	1,139,290
Deferred revenue	-	-	-	-
Interest payable	-	-	-	-
Estimated insurance and unemployment benefits payable (Note 4)	441,932	-	-	441,932
Payable from restricted assets:				
Interest payable	-	-	-	-
Appearance bonds	-	-	-	-
Revenue bonds payable (Notes 2 & 3)	-	-	-	-
Total liabilities	9,031,191	956	1,338,862	10,371,009
Fund balance:				
Restricted for:				
Capital projects	-	-	3,522,089	3,522,089
Hospital	308,590	25,075,674	-	25,384,264
Youth center	36,187	-	-	36,187
Other purposes	-	-	5,764,545	5,764,545
Unassigned	8,765,036	-	-	8,765,036
Total fund balance	9,109,813	25,075,674	9,286,634	43,472,121
Total liabilities and fund equity	\$ 18,141,004	\$ 25,076,630	\$ 10,625,496	\$ 53,843,130

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

CITY OF CUSHING
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT
OF NET POSITION
June 30, 2023

Total Fund Balances - Total Governmental Funds	\$	43,472,121
 Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset		3,578,660
Pension related deferred outflows		8,719,096
Net pension liability		(5,598,511)
Pension related deferred inflows		(4,911,992)
Accrued compensated absences payable		(319,729)
OPEB liability		(6,442,542)
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	\$	2,587,930
Construction in process		-
Buildings & Improvements		24,524,479
Furniture & Equipment		7,831,086
Infrastructure		14,131,779
Vehicles		7,873,276
Accumulated Depreciation		<u>(41,835,885)</u>
Total		<u>15,112,665</u>
 Net position of governmental activities	 \$	 <u>53,609,768</u>

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

CITY OF CUSHING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	General Fund	Permanent Fund Hospital Authority	Other Governmental Funds	Total Governmental Funds
Revenues:				
Charges for services	\$ 1,345,975	\$ -	\$ 459,831	\$ 1,805,806
Licenses and permits	109,761	-	-	109,761
Interest	201,097	188,758	107,157	497,012
Franchise fees	129,111	-	-	129,111
Hotel/motel taxes	87,929	-	-	87,929
Intergovernmental programs	208,298	-	99,820	308,118
Fines and forfeits	35,922	-	-	35,922
Lease receipts	18,909	707,025	-	725,934
Miscellaneous revenue	592,952	-	5,891	598,843
Taxes	7,489,823	-	74,240	7,564,063
Oil and gas royalties	8,298	-	-	8,298
Reimbursements	141,126	-	-	141,126
Workmen's compensation refund	-	-	-	-
Sale of property	-	-	-	-
Donations and other	43,093	44,051	10,000	97,144
Total revenues	<u>10,412,294</u>	<u>939,834</u>	<u>756,939</u>	<u>12,109,067</u>
Expenditures:				
Current:				
General government	1,562,890	-	-	1,562,890
Economic development	-	-	140,213	140,213
Public safety	5,563,413	-	46,989	5,610,402
Highways roads and airport	416,674	-	993,341	1,410,015
Cultural and recreational	1,526,112	-	56,339	1,582,451
Administrative	-	2,206	-	2,206
Interest expense	-	-	-	-
Capital outlay	114,432	725,619	678,309	1,518,360
Total expenditures	<u>9,183,521</u>	<u>727,825</u>	<u>1,915,191</u>	<u>11,826,537</u>
Excess of revenues over (under) expenditures	1,228,773	212,009	(1,158,252)	282,530
Other financing uses:				
Operating transfers in (out)	(2,365,880)	(565,000)	2,270,301	(660,579)
Total other financing uses	<u>(2,365,880)</u>	<u>(565,000)</u>	<u>2,270,301</u>	<u>(660,579)</u>
Excess of revenues over (under) expenditures & transfers	(1,137,107)	(352,991)	1,112,049	(378,049)
Fund balance - beginning of year	<u>10,246,920</u>	<u>25,428,865</u>	<u>8,174,585</u>	<u>43,850,170</u>
Fund balance - end of year	<u>\$ 9,109,813</u>	<u>\$ 25,075,674</u>	<u>\$ 9,286,634</u>	<u>\$ 43,472,121</u>

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

CITY OF CUSHING
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ (378,049)
 Amounts reported for governmental activities in the Statement of Activities are different because:	
Government-Wide Statement of Activities report the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.	3,741,703
Government-Wide Statement of Activities report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period.	(43,956)
Government-Wide Statement of Activities and Changes in Net Position report OPEB liabilities in the period incurred. However, Governmental Funds do not pay on this liability. The amount of the change for the OPEB liability recorded in the current period.	(3,837,003)
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	1,518,360
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	<u>(1,675,644)</u>
Change in Net Position of Governmental Activities	\$ <u><u>(674,589)</u></u>

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

CITY OF CUSHING
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Municipal Authority (Major)</u>	<u>CEFA (Major)</u>	<u>Totals</u>
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3)	\$ 21,100,811	\$ 102,820	\$ 21,203,631
Investments, at cost	12,843,584	-	12,843,584
Receivables (net of allowance for uncollectibles):			
Accounts receivable	1,181,501	-	1,181,501
Unbilled revenues	1,204,507	-	1,204,507
Interest	41,760	-	41,760
Due from other funds (Note 2F)	724	-	724
Bond fund/cash & investments (Notes 3 & 4)	10,040,540	-	10,040,540
Prepaid expenses	1,825	-	1,825
Capital assets:			
Land and non-depreciable assets	787,661	-	787,661
Depreciable buildings, property, equipment & infrastructure, net of depreciation (Notes 1 & 2)	<u>27,945,247</u>	<u>-</u>	<u>27,945,247</u>
Total assets	<u>\$ 75,148,160</u>	<u>\$ 102,820</u>	<u>\$ 75,250,980</u>
Deferred outflows of resources:			
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 1,121,137	\$ -	\$ 1,121,137
Meter deposits	1,020,463	-	1,020,463
Due to other funds	-	-	-
Accrued compensated absences payable (Note 1)	104,911	-	104,911
Payable from restricted assets:			
Interest payable	53,695	-	53,695
Notes payable (Note 2)	6,250	-	6,250
Revenue bonds payable (Notes 2 & 3)	671,000	-	671,000
Non-current liabilities:			
Notes payable (Note 2)	522	-	522
Revenue bonds payable (Notes 2 & 3)	<u>10,677,000</u>	<u>-</u>	<u>10,677,000</u>
Total liabilities	<u>13,654,978</u>	<u>-</u>	<u>13,654,978</u>
Deferred inflows of resources:			
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>
Net position:			
Net investment in capital assets	17,378,136	-	17,378,136
Restricted	-	102,820	102,820
Unrestricted	<u>44,115,046</u>	<u>-</u>	<u>44,115,046</u>
Total net position	<u>\$ 61,493,182</u>	<u>\$ 102,820</u>	<u>\$ 61,596,002</u>

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

CITY OF CUSHING
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds		
	Municipal Authority (Major)	CEFA (Major)	Totals
Revenues:			
Water revenue	\$ 1,739,215	\$ -	\$ 1,739,215
Sewer revenue	1,231,908	-	1,231,908
Garbage revenue	1,188,029	-	1,188,029
Electric revenue	11,440,880	-	11,440,880
Late charges	157,125	-	157,125
Management fees	-	-	-
Miscellaneous revenue	48,682	28,007	76,689
Grant revenue	-	-	-
Telephone & gas revenue	75,387	-	75,387
Sale of property and materials	101,020	-	101,020
Total revenues	15,982,246	28,007	16,010,253
Utility operations expense:			
Billing and collection	635,204	-	635,204
General and administrative	859,530	3,000	862,530
General manager	397,477	-	397,477
Electric service	9,346,833	-	9,346,833
Water service	1,266,143	-	1,266,143
Sewer service	871,626	-	871,626
Garbage service	1,031,612	-	1,031,612
Gas expense	-	-	-
Total utility operations expense	14,408,425	3,000	14,411,425
Other expense:			
Depreciation expense	940,921	-	940,921
Total rental expense	940,921	-	940,921
Total operating expenses	15,349,346	3,000	15,352,346
Income before non-operating revenues, expenses & transfers	632,900	25,007	657,907
Non-operating revenues (expenses):			
Interest revenue	967,568	1,481	969,049
Interest expense	(331,194)	-	(331,194)
Donations	-	-	-
Total	636,374	1,481	637,855

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

CITY OF CUSHING
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2023

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Municipal Authority (Major)</u>	<u>CEFA (Major)</u>	<u>Totals</u>
(Continued)			
Income (loss) before operating transfers	1,269,274	26,488	1,295,762
Transfers in (out)	671,289	(10,710)	660,579
Change in net position	1,940,563	15,778	1,956,341
Net position at beginning of year	59,552,619	87,042	59,639,661
Net position at end of year	<u>\$ 61,493,182</u>	<u>\$ 102,820</u>	<u>\$ 61,596,002</u>

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

CITY OF CUSHING
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds		
	Municipal Authority (Major)	CEFA (Major)	Totals
Cash flows from operating activities:			
Cash received from customers & service users	\$ 15,899,105	\$ 58,746	\$ 15,957,851
Cash payments for goods & services & employees	(15,161,477)	(3,000)	(15,164,477)
Other operating revenues	101,020	-	101,020
Net cash provided by operating activities	838,648	55,746	894,394
Cash flows from noncapital financing activities:			
Net change in due to/due from other funds	-	-	-
Net change in meter deposits	39,830	-	39,830
Operating transfers out to other funds	(2,889,898)	(10,710)	(2,900,608)
Operating transfers in from other funds	3,561,187	-	3,561,187
Net cash provided (used) for noncapital financing activities	711,119	(10,710)	700,409
Cash flows from capital and related financing activities:			
Acquisition & construction of capital assets	(2,996,142)	-	(2,996,142)
Proceeds from sale of asset	-	-	-
Principal paid on debt	(658,250)	-	(658,250)
Interest paid on debt	(333,333)	-	(333,333)
Proceeds from new debt	-	-	-
Donations	-	-	-
Net cash provided (used) for capital and related financing activities	(3,987,725)	-	(3,987,725)
Cash flows from investing activities:			
(Purchase) liquidation of investments - unrestricted	(2,000,000)	-	(2,000,000)
Interest on investments	934,298	1,481	935,779
Net cash provided by investing activities	(1,065,702)	1,481	(1,064,221)
Net increase (decrease) in cash & cash equivalents	(3,503,660)	46,517	(3,457,143)
Cash and cash equivalents - beginning of year	34,645,011	56,303	34,701,314
Cash and cash equivalents - end of year	\$ 31,141,351	\$ 102,820	\$ 31,244,171
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 632,900	\$ 25,007	\$ 632,900
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	940,921	-	940,921
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	17,879	-	17,879
(Increase) decrease in grants receivable	-	-	-
(Increase) decrease in prepaid expenses	(673)	-	(673)
Increase (decrease) in accounts payable	(741,772)	-	(741,772)
Increase (decrease) in accrued expenses	(10,607)	-	(10,607)
Total adjustments	205,748	-	205,748
Net cash provided by operating activities	\$ 838,648	\$ 25,007	\$ 838,648

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

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cushing, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Cushing, Oklahoma is organized under the statutes of the State of Oklahoma. The City operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (electric, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, planning and zoning for the geographical area organized as the City of Cushing, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units and trusts, entities for which the City is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Units/Trusts:

The Cushing Municipal Authority (CMA) was created pursuant to a Trust Indenture dated January 1, 1973, for the benefit of the City of Cushing, Oklahoma. CMA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer, electrical and hospital facilities for the City of Cushing. The water, sanitary sewer, electricity, and solid waste disposal systems owned by the City have been leased to CMA until such date that all indebtedness of the Authority is retired or provided for. CMA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the City Council. CMA is exempt from State and Federal Income taxes. CMA is reported as an enterprise fund.

The Cushing Hospital Authority (CHA) was created pursuant to a Trust Indenture dated August 1, 1978, for the benefit of the City of Cushing, Oklahoma. CHA was established to plan, finance, establish, develop, construct, enlarge, remodel, improve, make alterations, extend, maintain, equip, operate, lease, furnish and regulate hospitals, extended care facilities, clinics, community mental health centers, geriatrics facilities, and related facilities for the City of Cushing. CHA is a public trust and an agency of the State of Oklahoma, under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the City Council. CHA is exempt from State and Federal Income taxes. CHA is reported as a permanent fund.

The Cushing Industrial Authority (CIA) was created February 15, 1967, for the benefit of the City of Cushing, Oklahoma. CIA was created to promote the development of industry and to provide additional employment in the Cushing, Oklahoma, area. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees appointed by the City Council. CIA is exempt from State and Federal Income taxes. CIA is reported as a permanent fund.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units/Trusts (Continued):

The Cushing Educational Facilities Authority (CEFA) was created by Trust Indenture dated September 13, 2013, under the provisions of Title 60, Oklahoma Statutes 2011, Sections 176 to 180.3, inclusive. The Trust was created generally to promote the development of educational, recreational and cultural activities within and near the territorial limits of the City and to thereby provide educational, recreational and cultural facilities which will benefit and strengthen culture and the economy of the City of Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. The Authority issued 2013 General Obligation Bonds for the purpose of constructing, equipping, repairing and remodeling school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving school sites.

Other Component Units/Trusts:

The Cushing Agri-Civic Center Authority was created by Trust Indenture dated December 30, 1974, under the provisions of Title 60, Oklahoma Statutes 1968, Sections 176 to 180, inclusive. The Trust was created generally to construct, operate and maintain the Agri-Civic Center for the benefit of the City of Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. The land and building owned by the Agri-Civic Center Authority were transferred to the Cushing School District in 1992 and the remaining funds were subsequently disbursed to local community 501 (c) (3) organizations and to the City of Cushing. There are currently no assets or liabilities of the Cushing Agri-Civic Center Authority and there were no activities during the year. The City of Cushing, as beneficiary, has elected to preserve the legal structure of this Authority for a potential future use.

The Cushing Home Finance Authority was created by Trust Indenture dated January 21, 1983, under the provisions of Title 60, Oklahoma Statutes 1968, Sections 176 to 180, inclusive. The Trust was created generally to provide resources for the purpose of promoting the development of decent, safe and sanitary residential housing facilities for families of low to moderate income or lower income tenants residing within the territorial limits of the City of Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. In 1983 the Authority issued 1983 Series A-Multifamily Housing Revenue Bonds in the amount of \$2,100,000 for the purpose of providing funds to finance qualified multifamily residential project loans. Final maturity of those bonds was 1993. There are currently no assets or liabilities of the Cushing Home Finance Authority and there were no activities during the year. The City of Cushing, as beneficiary, has elected to preserve the legal structure of this Authority for a potential future use.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

The following are the City's major governmental funds:

General Fund – is the main operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Cushing Hospital Authority – is a permanent fund that accounts for the revenue and expenditures related to the leasing of the hospital and surrounding properties.

Sale Tax Fund – is a capital project fund that accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities.

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds – account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Street and Alley, Airport and Grant Funds.

Capital Projects Fund – which accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments. Capital Project Funds of the City include the Library/Quadrplex and Special Capital Improvement Fund.

Debt Service Fund – accounts for and report financial resources that are restricted, committed, or assigned to principal and interest payments. At balance sheet date there is no known bond, coupon, or judgment indebtedness outstanding.

Permanent Funds – account for and report resources that are restricted to the extent that only earnings (not principal) may be used for purposes that support the reporting government's programs, excluding private-purpose trusts. The fund is accounted for using the modified accrual basis of accounting and the measurement focus is essentially the flow of current financial resources. The City's other permanent fund is composed of the Cushing Industrial Authority.

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are classified as enterprise.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability.

The City's major enterprise fund is the Cushing Municipal Authority, which accounts for the operations of providing public works (electric, water, sewer, and refuse) to the City.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Other proprietary funds of the City that are considered non-major funds but are considered major for presentation purposes elected by the City include:

Cushing Educational Facilities Authority, which accounts for the promotion of development of educational, recreational and cultural activities within and near the territorial limits of the City and to thereby provide educational, recreational and cultural facilities.

Fiduciary Funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City does not have any agency funds at this time.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held in Bond Fund Reserve Accounts, Bond Fund Principal Accounts, Bond Fund Interest Accounts, Construction Accounts, and Sales Tax Revenue Accounts. Under the terms and provisions of the Bond Indenture, these special accounts and reserve funds are maintained with the Trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any bonds are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

3. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

4. Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds (i.e., the noncurrent portion of inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed. See Note 2E regarding Deferred Inventory Receivable.

7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$4,000 for the governmental and proprietary funds.

The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

7. Capital Assets (Continued)

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

The financial statements of the Cushing Hospital Authority include property and equipment owned by the City of Cushing and leased to the Cushing Hospital Authority. Depreciation was charged in prior years when the fund was accounted for as an enterprise fund. The fund was reclassified as a permanent fund when it was sub-leased in 1995 (See Note 4), thus no depreciation has been recognized since 1995.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings	40 - 100 years	40 - 100 years
Furniture, Fixtures and Equipment	10 - 100 years	10 - 100 years
Land Improvements	10 - 100 years	10 - 100 years
Vehicles	5 - 40 years	5 - 40 years
Infrastructure	20 - 100 years	20 - 100 years

8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation time. Full-time and part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Generally, after six consecutive months of service, employees are entitled to all accrued vacation leave upon termination. Sick leave may be accumulated to a maximum of 72 days but employees are not compensated for unused sick leave upon termination. At the option of the employee, compensatory time off may be taken in lieu of cash payment for overtime worked. Amounts may be accumulated to a maximum of 240 hours (480 hours for certain emergency response activities or seasonal activities). The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit.

9. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their statement of net position. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their statement of net position. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on its use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2023, the City held deposits of approximately \$71,111,370 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

Investment Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The City has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits 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.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. 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.
- e. 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 obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

The investments held at June 30, 2023 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 45,837,858	\$ 45,837,858
Stocks & bonds			1,139,290	1,139,290
Certificate of deposit	12.00	N/A	24,134,222	24,134,222
Total investments			\$ 71,111,370	\$ 71,111,370
Reconciliation to Statement of Net Position				
			\$ 27,023,615	
			44,087,755	
			\$ 71,111,370	

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 34% in Certificates of deposit (\$24,134,222), 2% in stocks and bonds (\$1,139,290) and 64% in Money Market funds (\$45,837,858).

B. Fair Value Measurements

Fair value disclosures are provided as required by FASB ASC 820-10 *Fair Value Measurements*. This standard established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Fair Value Measurements

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2023:

Assets at Fair Value as of June 30, 2023				
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 24,134,222	\$ -	\$ -	\$ 24,134,222
Stocks and bonds	<u>1,139,290</u>	<u>-</u>	<u>-</u>	<u>1,139,290</u>
Total assets at fair value	\$ <u>25,273,512</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>25,273,512</u>

C. Uncollectible Accounts

The City's estimate of uncollectible accounts receivable by fund and activity is as follows:

	General Fund	Cushing Municipal Authority
Ambulance	\$ 85,257	\$ -
Other misc.	69,918	6,651
Fines	86,819	-
Water	-	7,070
Refuse	-	5,198
Sewer	-	8,228
Electric	-	59,085
Late fees	-	2,304
Sales tax	-	1,161
Refuse tax	-	1
Total	\$ <u>241,994</u>	\$ <u>89,698</u>

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Capital Assets

Primary Government capital asset activity for the year ended is as follows:

	<u>Balance</u> <u>6/30/22</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/23</u>
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 2,937,819	\$ -	\$ -	\$ 2,937,819
Construction in process	-	-	-	-
Total non-depreciable assets	<u>2,937,819</u>	<u>-</u>	<u>-</u>	<u>2,937,819</u>
Depreciable assets:				
Buildings and improvements	41,546,163	166,786	-	41,712,949
Furniture, fixtures and equipment	13,157,087	291,834	-	13,448,921
Vehicles	7,466,440	421,286	-	7,887,726
Infrastructure	13,330,425	638,454	-	13,968,879
Total depreciable assets	<u>75,500,115</u>	<u>1,518,360</u>	<u>-</u>	<u>77,018,475</u>
Less accumulated depreciation:				
Buildings and improvements	(19,839,665)	(854,508)	-	(20,694,173)
Furniture, fixtures and equipment	(12,085,386)	(210,857)	-	(12,296,243)
Vehicles	(5,809,071)	(412,107)	-	(6,221,178)
Infrastructure	(9,268,246)	(198,173)	-	(9,466,419)
Total accumulated depreciation	<u>(47,002,368)</u>	<u>(1,675,645)</u>	<u>-</u>	<u>(48,678,013)</u>
Net depreciable assets	<u>28,497,747</u>	<u>(157,285)</u>	<u>-</u>	<u>28,340,462</u>
Net governmental activities capital assets	<u>\$ 31,435,566</u>	<u>\$ (157,285)</u>	<u>\$ -</u>	<u>\$ 31,278,281</u>

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Capital Assets (Continued)

	Balance 6/30/22	Additions	Disposals	Balance 6/30/23
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 932,661	\$ -	\$ -	\$ 932,661
Total non-depreciable assets	932,661	-	-	932,661
Depreciable assets:				
Buildings and improvements	50,552,169	2,996,142	-	53,548,311
Furniture, fixtures and equipment	4,274,307	-	-	4,274,307
Vehicles	1,324,031	-	-	1,324,031
Total depreciable assets	56,150,507	2,996,142	-	59,146,649
Less accumulated depreciation:				
Buildings and improvements	(26,357,615)	(687,157)	-	(27,044,772)
Furniture, fixtures and equipment	(2,999,368)	(188,998)	-	(3,188,366)
Vehicles	(1,048,498)	(64,766)	-	(1,113,264)
Total accumulated depreciation	(30,405,481)	(940,921)	-	(31,346,402)
Net depreciable assets	25,745,026	2,055,221	-	27,800,247
Net business-type activities capital assets	\$ 26,677,687	\$ 2,055,221	\$ -	\$ 28,732,908

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

E. Deferred Inventory Receivable

According to the lease agreement, Hospital inventories of supplies, drugs and other consumables are reflected as a deferred inventory receivable that the lessee has agreed to maintain for duration of the lease.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Inter-fund Receivables and Payables

The following schedule reflects the City's inter-fund due from and due to other governmental funds, which have been eliminated in the statement of net position presentation in accordance with GASB 34:

	Due From	Due To
General Fund:		
Cushing Hospital Authority	\$ -	\$ 165,256
Library/Quadraplex	34,646	55,648
Cushing Industrial Authority	-	7,434
Sales Tax Fund	-	222,593
Cushing Municipal Authority	-	724
Capital Improvement Funds:		
Library/Quadraplex:		
General Fund	55,648	34,646
Sales Tax Fund:		
General Fund	222,593	-
Enterprise Funds:		
Cushing Municipal Authority:		
General Fund	724	-
Permanent Funds:		
Cushing Hospital Authority:		
General Fund	165,256	-
Cushing Industrial Authority:		
General Fund	7,434	-
Total all funds	\$ 486,301	\$ 486,301

G. Leases

Pursuant to an election held on the 6th day of June, 1978, the City of Cushing leased its existing and thereafter acquired water, sanitary sewer, electric and solid waste disposal systems to the Cushing Municipal Authority for a term of fifty (50) years or to such date as all indebtedness incurred by the Authority has been paid pursuant to a lease agreement dated August 1, 1978. In accordance with the Lease Agreement and Operation and Maintenance Contract, the City will operate the systems on a cost reimbursement basis. Any funds remaining with the Authority after all operating expenses and debt service requirements have been satisfied can be transferred to the City General Fund and used for any lawful purpose, at the discretion of the Authority. Gross Revenues generated and lease payments made to the City from these systems are as follows:

	Solid Waste Disposal System	Water System	Sewer System	Electric System
Gross revenues	\$ 1,119,510	\$ 1,723,491	\$ 1,231,073	\$ 10,759,836
Operating expenses	1,031,612	891,611	871,626	9,346,833
Net	87,898	831,880	359,447	1,413,003
Debt service requirements	-	-	(6,250)	(985,242)
Transfer to general fund	-	-	-	-
Net fund retained	\$ 87,898	\$ 831,880	\$ 353,197	\$ 427,761

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

H. Long-term Debt

The City is not obligated in any manner for the debt of its component units or trusts. The following is a summary of long-term debt transactions of the component units and trusts of the City:

	Date of Last Maturity	Original Amount	Balance Outstanding 7/1/22	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/23	Current Portion
Cushing Municipal Authority:							
Utility System - 2022 (interest @ 2.839%)	5/4/2022	\$ 12,000,000	\$ 12,000,000	\$ -	\$ (652,000)	\$ 11,348,000	\$ 671,000
Sewer System - CDBG (interest @ 0%)	8/1/2024	\$ 125,000	\$ 13,022	\$ -	\$ (6,250)	\$ 6,772	\$ 6,250
Cushing Education Facilities Authority (Non-commitment debt):							
Tax-exempt bond (interest @ 3-5%)	9/30/2013	\$ 25,830,000	\$ 7,210,000	\$ -	\$ (7,210,000)	\$ -	\$ -
Tax-exempt bond (interest @ 5.0%)		51,910,000	-	51,910,000	-	51,910,000	-
Total		\$ 89,865,000	\$ 19,223,022	\$ 51,910,000	\$ (7,868,250)	\$ 63,264,772	\$ 677,250

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year Ending June 30,	CMA Debt	CEFA Debt	Total
2024	\$ 994,693	\$ -	\$ 994,693
2025	988,773	11,365,000	12,353,773
2026	987,534	-	987,534
2027	987,264	-	987,264
2028	988,411	-	988,411
2029-2033	4,939,594	40,545,000	45,484,594
2034-2037	3,951,947	-	3,951,947
Total principal & interest	13,838,216	51,910,000	65,748,216
Less interest	2,490,216	-	2,490,216
Total Liability	\$ 11,348,000	\$ 51,910,000	\$ 63,258,000

Principal, redemption premium, and interest on CMA debt are payable from the gross revenues of the water, sanitary sewer, electric, and solid waste disposal systems, and from other funds established by the bond indentures. CEFA debt is payable from property taxes collected and paid for by Cushing Public Schools. Detail information on long-term debt is reflected in Note 4.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

3. AUTHORITIES

A. Cushing Municipal Authority (A Blended Component Unit)

UTILITY OPERATIONS:

The operations of the utility departments of the City (electric, water, sewer and refuse) were transferred to the Cushing Municipal Authority effective July 1, 1994. The Municipal Authority provides utility services for its customers including the City of Cushing and its related departments. Utility charges for infrastructure (street lights, etc.) and general activities of the City of Cushing (City Hall, Senior Citizens, Youth Center, Library, maintenance departments, etc.) are metered but not billed or reflected as revenue. Likewise, the various departments of the City benefiting from these services are not charged for the services. This factor for gratis services has been incorporated in the current rate structure charged by the Authority. Since the Municipal Authority is structured like a private enterprise, the effect of this policy is to understate the gross revenues of the Municipal Authority and to understate the operating expenses of the various using departments of the City. The intent is for the Municipal Authority to provide cost free services to the City of Cushing.

RESTRICTED FUNDS:

Under the terms and provisions of the Bond Indenture, special accounts and reserve funds of the Authority are maintained with the trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any creditors of the Authority. These accounts and reserve funds are to be maintained so long as any bonds are outstanding.

Monies contained in the accounts and reserve funds held by the trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

REVENUE BONDS:

On May 4, 2023, the Authority issued its \$12,000,000 Cushing Municipal Authority Utility Systems Revenue Bonds, Series 2023. Proceeds from this bond issue were used to improve the CMA's utility system. Interest at 2.839% and principal on the bond is payable semi-annually on November 1 and May 1 of each fiscal year until the bond is paid. Bond redemption begins November 11, 2023, with final maturity on May 1, 2037. The gross revenues of the CMA have been pledged to secure the bonds.

NOTES PAYABLE:

On April 22, 2004, the CMA, through the Cushing Industrial Authority, issued a Community Development Block Grant note payable in the amount of \$125,000 to the Oklahoma Department of Commerce, Office of Community Development. The proceeds of the note were used for sewer lines and manhole construction. The note is to be paid in 240 monthly installments of \$521 beginning September 1, 2004 with final maturity on August 1, 2024. The note is non-interest bearing. The gross utility revenues of the CMA have been pledged to secure the note.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

3. AUTHORITIES (Continued)

B. Cushing Hospital Authority (A Permanent Fund)

The City of Cushing owns the Hospital facility, including buildings and equipment. On August 1, 1978, it was leased to the Cushing Hospital Authority for a term of thirty years, or until such time that all indebtedness of the Authority was either paid or provision for payment was made.

SUB-LEASE AGREEMENT:

Effective September 1, 2004, AHS Cushing Hospital, LLC ("CRH") a Delaware limited liability company and wholly owned subsidiary of Ardent Health Services, Inc. ("AHS") (a for profit corporation) subleased the campus, the hospital, the name, the additional premises, and the equipment of Cushing Hospital Authority, d.b.a. Cushing Regional Hospital from the Cushing Hospital Authority, Cushing Municipal Authority, and the City of Cushing. The sub-lease agreement provides that operating asset (cash, investments, receivables, inventories and prepaid expenses) and operating liabilities (accounts payable and operating loans, excluding bonded debt) were assumed by CRH. The initial term of the sublease is for ten years with an option of extending the lease for an additional ten years. CRH will pay rent during the term of the sub-lease. The purpose of the sublease agreement is to enable CRH to execute and perform necessary activities to maintain and operate the Hospital for the mutual benefit of CRH, AHS, CHA, CMA, the City of Cushing and the surrounding community. At the end of the lease, all inventories of supplies, drugs and other consumables are returned to the Hospital Authority.

SPECIAL TRUST FUNDS:

Under the terms and provisions of the Bond Indentures, special trust funds of the Authority have been created with the Trustee bank for the benefit of the holders of the Bonds and are not subject to lien or attachment by any creditors of the Authority. Such funds will be maintained so long as any bonds issued under any indenture are outstanding. Monies contained in the funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates the monies in said funds will be required for the purposes intended by the trust indenture. Sales tax collections transferred from the City of Cushing in excess of amounts required for debt service may be used for operations.

C. Cushing Industrial Authority (A Permanent Fund)

The primary purpose of the Authority is to promote the development of industry within and without the territorial limits of the City of Cushing and to provide additional employment, which will benefit and strengthen the economy of the City of Cushing and the State of Oklahoma.

The Authority was created to provided local industry with resources for construction and renovation of plant facilities, equipment acquisitions and working capital. Funds were provided as either direct loans to the industry or through leases with favorable purchase options extended. There are no leases or notes that remain outstanding at year-end.

The Authority entered into a contract with the Cushing Economic Development Foundation (EDF) effective March 21, 2016 to enhance the economic development of the City of Cushing and the immediate trade area. The authority agreed to provide partial funding for EDF's program of work including the cost of a professional Economic Developer. The contract provides for monthly payments of \$8,333.33 not to exceed \$100,000.00 annually. Economic Developer is required to report quarterly to the Authority on economic development activities. This agreement is subject to annual appropriations from the Authority. A total of \$99,999.96 was expended per this contract during the fiscal year ended June 30, 2023.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

3. AUTHORITIES (Continued)

D. Cushing Educational Facilities Authority (An Enterprise Fund)

The Cushing Educational Facilities Authority (CEFA) was created by Trust Indenture dated September 13, 2013, under the provisions of Title 60, Oklahoma Statutes 2011, Sections 176 to 180.3, inclusive. The Trust was created generally to promote the development of educational, recreational and cultural activities within and near the territorial limits of the City and to thereby provide educational, recreational and cultural facilities which will benefit and strengthen culture and the economy of the City of Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. The Authority's purpose is to issue bonds for constructing, equipping, repairing and remodeling school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving school sites.

Non-Commitment Debt:

This debt is considered non-commitment (conduit) debt to the City and Authority since the debt payments are made solely from direct financing lease payments. Payments are made by the Cushing Public Schools to trustee banks that pay the bondholders. In the event of default by the Schools, the City or Authority has no obligation, legally and in substance, to make any payments on the debt since the lease receivable, financing agreements and mortgages on the property with the School are the security for the debt.

The Cushing Educational Facilities Authority (CEFA) issued \$25,830,000 of the Educational Facilities Lease Revenue Bonds on September 30, 2013, for the benefit of the Cushing Public Schools. The property, upon which the Project is located, together with improvements, is leased by the School District to the Authority and then subsequently subleased by the Authority back to the District. The bonds are secured by an assignment of the lease revenues and the property leased and subleased. Debt service on the bonds is payable solely from the lease revenues described above. The bond was paid off in the current year.

The Cushing Educational Facilities Authority (CEFA) issued \$51,910,000 of the Educational Facilities Lease Revenue Bonds on July 12, 2022, for the benefit of the Cushing Public Schools. The property, upon which the Project is located, together with improvements, is leased by the School District to the Authority and then subsequently subleased by the Authority back to the District. The bonds are secured by an assignment of the lease revenues and the property leased and subleased. Debt service on the bonds is payable solely from the lease revenues described above. The bond is only reported within the notes and not within the financial statements.

Outstanding balance at June 30, 2023 is \$51,910,000

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City has provided for the General Fund and Cushing Municipal Authority to account for and finance its uninsured risks of loss. Under this program, these funds provide coverage for combined employee health claims up to a maximum of \$3,322,334, based on plan participants at the beginning of the contract period, July 1, 2023. The City purchases commercial insurance for health claims in excess of the coverage provided by the funds and for other risks of loss. Settled claims did not exceed the commercial coverage during the year. The City is liable for all sustained unemployment claims.

The General Fund and the Cushing Municipal Authority participate in this program and make payments based on management's estimates of the amounts needed to pay premiums and for prior and current year claims. The City does not maintain a reserve for catastrophe losses. Those are budgeted within each fund. The claims liability of \$441,932 reported in the General Fund at June 30, 2023, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claims liability amount in fiscal year 2023 were as follows:

Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance of Fiscal Year End
\$ 312,932	\$ 2,999,312	\$ 2,870,312	\$ 441,932

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The City expensed these fees when paid. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's Liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

B. Concentrations of Risk

The City operates its own electrical power plant and provides electrical power to the City. The electric utility industry in general has become, and is expected to be, increasingly competitive due to regulatory changes and market developments. Competition among suppliers for sales of electric energy is expected to have a profound effect on the electric utility industry.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

B. Concentrations of Risk (Continued)

Historically, electric utilities have operated in a highly regulated environment, which has provided them some protection against competition in their service area. In a deregulated market, it is anticipated that customers in a particular service area will be permitted to choose among competing electric suppliers, which could result in some risk of loss of revenues for the City. In April 1997, the Governor of the State of Oklahoma signed the *Electric Restructuring Act of 1997*, which calls for the deregulation of the State's electric utility industry and permits electricity customers to choose their power supplier by the year 2002. Although the City and other "public power" utilities are specifically excluded from the mandates of this act, additional legislation has been introduced which could have an impact on the City. Additionally, bills have been introduced in the United States Congress providing for a Federal mandate of retail choice as well as legislation and tax regulations relating to public bond issues. Management is currently unable to predict whether any of these bills will become law or the effect passage would have on the City.

Management is developing a plan to position the City to compete effectively in the changing competitive environment. While the City is taking this and other actions to prepare for a deregulated market, management cannot predict what effects increased competition will have on the operations and financial condition of the City.

C. Contingent Liabilities

The City is a defendant in legal actions arising from normal governmental activities. Most of these actions are covered by insurance. Although the outcome of these lawsuits is not presently determinable, management believes that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Internal Revenue Code Section 148 requires calculation of an arbitrage rebate within 60 days following each five-year period from inception of each bond issue. Arbitrage is present whenever investment income is in excess of yield of the bond issue. The City has complied with this provision and has determined that no arbitrage rebate is due at this time.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

D. Deferred Compensation Plan

The Cushing Municipal Authority (CMA) and the City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all CMA and City employees, permits them to defer a portion of their salary until future years. The deferred compensation is available to employees at termination of employment, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the CMA's and City's management that CMA and City have no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

E. Employee Retirement System and Other Benefit Plans

The City participates in three employee pension systems as follows:

Oklahoma Police Pension and Retirement Plan—Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Firefighters Pension and Retirement Plan—Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Municipal Retirement Fund (OkMRF) Agent Multiple Employer – Defined Benefit Plan

Oklahoma Police Pension and Retirement Plan

Plan description – The City of Cushing, as the employer, participates in the Oklahoma Police Pension and Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided – OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$120,891. The State of Oklahoma also made on behalf contributions to OPPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$75,920. These on-behalf payments did not meet the criteria of a special funding situation.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

E. Employee Retirement System and Other Benefit Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported an asset of \$177,299 for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2022. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2022. Based upon this information, the City's proportion was 0.2211%.

For the year ended June 30, 2023, the City recognized pension expense of \$120,891. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experience	\$ 86,967	\$ 19,313
Changes of assumptions	6,173	-
Net difference between projected and actual earnings on pension plan investments	938,881	765,873
City contributions subsequent to the measurement date	<u>120,891</u>	<u>-</u>
Total	<u>\$ 1,152,912</u>	<u>\$ 785,186</u>

\$120,891 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2023. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 55,671
2025	14,624
2026	(47,101)
2027	212,521
2028	<u>11,120</u>
	<u>\$ 246,835</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.

Active employees (post-retirement) and nondisabled pensioners:
RP-2000 Blue Collar Healthy Combined table with fully generational Improvement using scale AA.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

E. Employee Retirement System and Other Benefit Plans (Continued)

Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$513,688	(\$177,299)	(\$761,352)

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

E. Employee Retirement System and Other Benefit Plans (Continued)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at www.ok.gov/OPPRS.

Oklahoma Firefighters Pension & Retirement Plan

Plan Description – The City of Cushing, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$182,152 (fiscal year contributions). The State of Oklahoma also made on-behalf contributions to FPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$0. These on-behalf payments did not meet the criteria of a special funding situation.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

E. Employee Retirement System and Other Benefit Plans (Continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported a liability of \$4,492,735 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2022. Based upon this information the City's proportion was 0.343551%.

For the year ended June 30, 2023, the City recognized pension expense of \$182,152. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experience	\$ 576,746	\$ 22,680
Changes of assumptions	-	28,646
Net difference between projected and actual earnings on pension plan investments	1,983,840	1,461,736
City contributions subsequent to the measurement date	<u>182,152</u>	<u>-</u>
Total	<u>\$ 2,742,739</u>	<u>\$ 1,513,062</u>

\$182,152 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 279,023
2025	227,902
2026	64,760
2027	475,840
Thereafter	<u>0</u>
	<u>\$ 1,047,525</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

E. Employee Retirement System and Other Benefit Plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount <u>Rate (7.5%)</u>	1% Increase <u>(8.5%)</u>
Employers' net pension liability (asset)	\$5,789,235	\$4,492,735	\$3,408,275

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

Oklahoma Municipal Retirement Fund – Defined Benefit

Plan Description – The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

E. Employee Retirement System and Other Benefit Plans (Continued)

Summary of Significant Accounting Policies – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>As of 07/01/22 OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	10 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 60 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Death benefit with 10 years of service for married employees
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
Normal Retirement	-2.625% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement
Death Benefit	-50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 7 Years' Service	-No benefits
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

E. Employee Retirement System and Other Benefit Plans (Continued)

Employees Covered by Benefit Terms

Active Employees	91
Deferred Vested Former Employees	13
Retirees or Retiree Beneficiaries	<u>91</u>
Total	<u>195</u>

Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 8.09% of covered payroll. For the year ended June 30, 2023, the City recognized \$503,729 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$6,226,544. Employees contribute a fixed 6% to the plan in accordance with the plan provisions adopted by the City Council.

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2022
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.5%
c. Projected Salary Increase	Rates by age
d. Post Retirement cost-of-Living Increase	None
e. Inflation Rate	2.75%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown
	Additional rates per thousand are added during the first 5 years: Year 1: 225 Year 2: 140 Year 3: 100 Year 4: 70 Year 5: 40
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

E. Employee Retirement System and Other Benefit Plans (Continued)

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.5% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2022 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks S&P 500	25%	5.80%	1.45%
Small/mid cap stocks Russell 2500	10%	6.40%	0.64%
Long/short equity MSCI ACWI	10%	5.00%	0.50%
International stocks MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds Barclay’s Capital Aggregate	30%	2.30%	0.69%
Real estate NCREIF	5%	4.60%	0.23%
Cash equivalents 3 month Treasury	<u>0%</u>	0.00%	<u>0.00%</u>
TOTAL	<u>100%</u>		
Average Real Return			4.75%
Inflation			<u>2.75%</u>
Long-term expected return			<u>7.50%</u>

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

E. Employee Retirement System and Other Benefit Plans (Continued)

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2022 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2022 and the City's report ending date of June 30, 2023, that would have had a significant impact on the net pension liability (asset). The following table reports the components of changes in net pension liability:

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
Employers' net pension liability (asset)	\$3,638,304	\$1,105,776	(\$1,026,904)

The City reported \$503,729 in pension expense for the year ended June 30, 2023. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experience	\$ 19,214	\$ 106,557
Changes of assumptions	- 0 -	10,891
Net difference between projected and actual earnings on pension plan investments	4,300,502	2,496,296
City contributions subsequent to the measurement date	<u>503,729</u>	<u>-</u>
Total	<u>\$ 4,823,445</u>	<u>\$ 2,613,744</u>

\$503,729 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 292,328
2025	264,216
2026	152,745
2027	996,683
2028	<u>-0-</u>
	<u>\$ 1,705,972</u>

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

F. Other Post-Employment Benefits

Plan Description

City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The provisions for these benefits are not formalized in a contract or plan document but are referenced in the administrative policy manual. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-employment benefits if they reach normal retirement age while working for the City. As of June 30, 2023, approximately 20 retired employees are receiving benefits under this plan.

Funding Policy

The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. Plan members receiving benefits contribute approximately 100 percent of the total premiums, through their required contribution of \$350.00 per month for retiree-only coverage and \$450.00 for retiree and spouse medical coverage, these amounts include dental and vision coverage.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The following shows the components of the City's annual OPEB cost and the City's net OPEB obligation for the year ended June 30, 2023:

Current Service Cost (\$330,397) + Amortization Amount (\$344,335) = Total Contribution (\$674,732).
OPEB obligation for retired employees as determined by Actuarial is \$2,889,678 and for active employees is \$3,352,864 with a total obligation of \$6,442,542.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

F. Other Post-Employment Benefits (Continued)

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Asset Valuation Basis</u>	<u>Actuarial Accrued Liability (AAL)*</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>
6/30/2023	\$ -	Actuarial	\$ 6,442,542	\$ 6,442,542	0.0%

Employees Covered by Benefit Terms

Active participants	133
Retired participants	<u>20</u>
Total	<u>153</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2023, actuarial valuation, since the City does not pre-fund the retiree healthcare benefits. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level payments.

Date of Last Actuarial Valuation	June 30, 2023
a. Interest discount rate	3.65% per year, compounded annually
b. Mortality	UP-1994 Mortality Table for Males and Females, After retirement UP-1944 with Projected mortality improvement
c. Retirement date	35% will retire at age 55 and after 10 years of service; 50% will retire at age 62 and 10 years of service, the balance will retire on or after age 65.
d. Percent electing to remain covered	50%
e. Implied subsidy	\$1,508.74 per month at age 55, \$1,855.55 at age 62
f. Increase in claim cost per age difference	1.03 per year
g. Premium trend factor	10% per year

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

4. OTHER INFORMATION (Continued)

F. Other Post-Employment Benefits (Continued)

h. Post-retirement termination

Selected rates are shown below:

<u>Age</u>	<u>Annual Termination Rate</u>
25	14.23%
30	9.56%
35	6.48%
40	5.50%
45	4.98%
50	4.67%
55	4.01%
60	4.00%

i. Expenses

None

j. Actuarial cost method

Entry age normal

CITY OF CUSHING
Cushing, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2023

**CITY OF CUSHING
Cushing, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2023**

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Defined Benefit Cost Sharing Plans:

Police

Schedule of the City's proportionate share of the net pension liability (asset)

Schedule of City contributions

Fire

Schedule of the City's proportionate share of the net pension liability (asset)

Schedule of City contributions

Defined Benefit Agent Multi-Employer Plan

OkMRF

Schedule of change in net pension liability & related ratios

Schedule of employer contributions

Budgetary Comparison Schedule – General, Special Revenue & Capital Projects Funds

CITY OF CUSHING
Cushing, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2023

Exhibit 1
Schedule of the City of Cushing Proportionate Share of the Net Pension Liability (Asset)
Oklahoma Police Pension & Retirement System
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.2211%	0.2278%	0.1954%	0.2194%	0.2094%	0.2402%	0.2227%	0.2187%	0.2148%
City's proportionate share of the net pension liability (asset)	\$ (177,299)	\$ (1,083,086)	\$ 224,378	\$ (14,003)	\$ (99,730)	\$ 18,478	\$ 341,023	\$ 8,919	\$ (72,330)
City's covered-employee payroll	\$ 929,931	\$ 792,862	\$ 726,031	\$ 714,385	\$ 711,777	\$ 667,754	\$ 688,084	\$ 662,114	\$ 626,524
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-19.066%	-137.866%	30.820%	-1.960%	-14.011%	2.767%	49.708%	1.347%	-11.54%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	117.07%	95.80%	100.24%	101.89%	93.50%	93.50%	99.82%	101.53%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the last 9 years are presented because 10-year data is not yet available.

CITY OF CUSHING
Cushing, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 120,891	\$ 103,072	\$ 94,844	\$ 92,870	\$ 92,531	\$ 88,808	\$ 89,191	\$ 86,075	\$ 81,448
Contributions in relation to the statutorily required contribution	120,891	103,072	94,844	92,870	92,531	88,808	89,191	86,075	81,448
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 929,931	\$ 792,862	\$ 728,031	\$ 714,385	\$ 711,777	\$ 667,754	\$ 685,084	\$ 662,114	\$ 626,524
Contributions as a percentage of covered-employee payroll	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the last 9 years are presented because 10-year data is not yet available.

CITY OF CUSHING
Cushing, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2023

Exhibit 3
Schedule of the City of Cushing Proportionate Share of the Net Pension Liability (Asset)
Oklahoma Firefighters Pension & Retirement System
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.34355%	0.36762%	0.34759%	0.34280%	0.36223%	0.36858%	0.36305%	3.69927%	0.3619%
City's proportionate share of the net pension liability (asset)	\$ 4,492,735	\$ 2,421,020	\$ 4,281,859	\$ 3,622,280	\$ 4,077,415	\$ 4,635,760	\$ 4,435,475	\$ 3,926,437	\$ 3,721,459
City's covered-employee payroll	\$ 1,301,086	\$ 1,187,507	\$ 1,144,714	\$ 1,121,607	\$ 1,057,486	\$ 1,077,336	\$ 1,046,857	\$ 1,020,938	\$ 1,024,379
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	345.307%	203.874%	374.055%	322.954%	386.576%	430.299%	423.694%	384.682%	363.28%
Plan fiduciary net position as a percentage of the total pension liability (asset)	69.49%	84.24%	69.98%	72.85%	70.73%	66.61%	64.87%	68.27%	68.12%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the last 9 years are presented because 10-year data is not yet available.

CITY OF CUSHING
Cushing, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2023

Exhibit 4
Schedule of the City Contributions
Oklahoma Firefighters Pension & Retirement System
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutory required contribution	\$ 182,152	\$ 188,251	\$ 160,260	\$ 157,025	\$ 148,048	\$ 150,827	\$ 146,560	\$ 142,931	\$ 143,413
Contributions in relation to the statutory required contribution	182,152	168,251	160,260	157,025	148,048	150,827	146,560	142,931	143,413
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,301,086	\$ 1,187,507	\$ 1,144,714	\$ 1,121,607	\$ 1,057,486	\$ 1,077,338	\$ 1,046,657	\$ 1,020,936	\$ 1,024,379
Contributions as a percentage of covered-employee payroll	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the last 9 years are presented because 10-year data is not yet available.

CITY OF CUSHING
Cushing, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2023

Exhibit 5
Oklahoma Municipal Retirement Fund
Schedule of Changes in Net Pension Liability and Related Ratios Last Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost	\$ 286,983	\$ 289,796	\$ 310,328	\$ 280,077	\$ 287,787	\$ 317,848	\$ 288,501	\$ 306,478	\$ 271,474
Interest	1,620,339	1,601,159	1,557,864	1,493,676	1,497,765	1,483,022	1,415,527	1,359,425	1,326,990
Changes of benefit terms	(81,267)	(145,394)	163,321	127,488	(576,474)	167,990	211,739	39,170	-
Differences between expected and actual experience	(15,162)	-	-	330,587	-	-	-	-	-
Changes in assumptions									
Benefit payments, including refunds of member contributions	(1,491,879)	(1,487,844)	(1,421,827)	(1,331,783)	(1,197,800)	(1,072,699)	(1,037,983)	(926,722)	(890,923)
Net change in total pension liability	339,014	257,717	608,686	900,043	11,288	896,161	888,084	778,351	707,541
Total pension liability - beginning	22,336,979	22,079,282	21,469,576	20,589,533	20,558,275	19,662,114	18,774,030	17,995,679	17,288,138
Total pension liability - ending (a)	\$ 22,675,993	\$ 22,336,979	\$ 22,079,262	\$ 21,489,576	\$ 20,569,533	\$ 20,558,275	\$ 18,662,114	\$ 18,774,030	\$ 17,995,679
Plan fiduciary net position									
Contributions - employer	\$ 459,900	\$ 434,072	\$ 389,351	\$ 391,031	\$ 313,202	\$ 323,487	\$ 322,017	\$ 2,614,216	\$ 3,208,710
Contributions - member	-	-	-	-	-	-	-	-	-
Net investment income	(3,092,644)	5,704,854	851,274	1,360,354	1,492,913	2,287,633	158,049	583,901	2,086,119
Benefit payments, including refunds of member contributions	(1,491,879)	(1,487,844)	(1,421,827)	(1,331,783)	(1,197,800)	(1,072,699)	(1,037,983)	(926,722)	(890,923)
Administrative expense	(43,500)	(42,360)	(43,363)	(42,401)	(41,838)	(40,233)	(38,042)	(37,380)	(30,986)
Other	(4,188,123)	4,608,722	(244,585)	407,201	568,877	1,488,198	(595,859)	-	-
Net change plan fiduciary net position	4,105,776	(3,401,361)	949,644	95,373	(397,469)	157,950	759,987	(723,756)	731,888
Plan fiduciary net position - beginning	25,738,340	21,129,618	21,374,203	20,867,002	20,400,325	18,902,127	19,497,786	17,263,781	12,682,861
Plan fiduciary net position - ending (b)	\$ 21,570,217	\$ 25,738,340	\$ 21,129,618	\$ 21,374,203	\$ 20,867,002	\$ 20,400,325	\$ 18,902,127	\$ 19,497,786	\$ 17,263,781
Net pension liability - ending (a) - (b)	\$ 1,105,776	\$ (3,401,361)	\$ 949,644	\$ 95,373	\$ (397,469)	\$ 157,950	\$ 759,987	\$ (723,756)	\$ 731,888
Plan fiduciary net position as a percentage of the total pension liability	95.12%	115.23%	95.70%	99.56%	101.93%	99.23%	96.13%	103.86%	95.93%
Covered employee payroll	\$ 3,927,589	\$ 3,553,244	\$ 3,515,561	\$ 3,555,614	\$ 3,499,952	\$ 3,693,413	\$ 3,795,088	\$ 3,546,512	\$ 3,531,034
Net pension liability as a percentage of covered - employee payroll	28.15%	-95.73%	27.01%	2.68%	-11.36%	4.28%	20.03%	-20.41%	20.73%

Notes to Schedule: Only the last 9 years are presented because 10-year data is not yet available.

CITY OF CUSHING
Cushing, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2023

	Exhibit 6								
	Oklahoma Municipal Retirement Fund								
	Schedule of Employer Contributions Last Fiscal Years								
	2023	2022	2021	2020	2019	2018	2017	2016	2016
Actuarially determined contribution	\$ 503,729	\$ 459,900	\$ 434,072	\$ 383,836	\$ 319,101	\$ 313,202	\$ 323,497	\$ 322,017	\$ 470,113
Contributions in relation to the actuarially determined contribution	503,729	459,900	434,072	383,836	319,101	313,202	323,497	322,017	470,113
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 6,226,564	\$ 4,322,368	\$ 4,306,270	\$ 4,883,410	\$ 3,667,828	\$ 3,646,123	\$ 3,789,022	\$ 3,546,512	\$ 3,531,034
Contributions as a percentage of covered employee payroll	8.09%	10.64%	10.08%	7.86%	8.70%	8.59%	8.54%	9.08%	13.31%

Notes to Schedule:

1. Only the last 9 years are presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2022
3. Actuarially determined contribution rate is calculated as of July 1, 2021 and July 1, 2022
January 2022 through June 2022 contributions were at a rate of 10.64%.
July 2022 through December 2022 contributions were at a rate of 8.09%.
4. Methods and assumptions used to determine contribution rates:
Actuarial cost method - Entry age normal
Amortization method - Level percent of payroll, closed
Remaining amortization period - 29 years
Asset valuation method - Actuarial:
Smoothing period - 4 years
Recognition method - Non-actuarial
Corridor - 70% - 130%
Salary increases - 4.00% to 7.42% (varies by attained age)
Investment rate of return - 7.50%

CITY OF CUSHING
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2023
(Unaudited)

GENERAL FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Charges for services	\$ 1,223,900	\$ 1,223,900	\$ 1,345,975	\$ 122,075
Licenses & permits	44,750	44,750	109,761	65,011
Interest	151,450	151,450	201,097	49,647
Franchise fees	115,000	115,000	129,111	14,111
Fines & forfeits	74,400	74,400	35,922	(38,478)
Lease receipts	19,000	19,000	18,909	(91)
Taxes	7,580,000	7,580,000	7,489,823	(90,177)
Hotel/motel taxes	90,000	90,000	87,929	(2,071)
Intergovernment programs	766,998	766,998	208,298	(558,700)
Oil and gas royalties	7,500	7,500	8,298	798
Reimbursements	105,000	105,000	141,126	36,126
Donations and other	40,863	40,863	43,093	2,230
Workmen's compensation refund	-	-	-	-
Miscellaneous	678,050	678,050	592,952	(85,098)
Total revenues	<u>10,896,911</u>	<u>10,896,911</u>	<u>10,412,294</u>	<u>(484,617)</u>
Expenditures:				
Current:				
General government	2,016,178	2,016,178	1,562,890	453,288
Public safety	6,064,302	6,064,302	5,563,413	500,889
Highways, roads, & airport	466,445	466,445	416,674	49,771
Cultural & recreational	1,748,205	1,748,205	1,526,112	222,093
Administrative	-	-	-	-
Capital outlay	136,000	136,000	114,432	21,568
Total expenditures	<u>10,431,130</u>	<u>10,431,130</u>	<u>9,183,521</u>	<u>1,247,609</u>
Excess of revenue over (under) expenditures	465,781	465,781	1,228,773	762,992
Other financing sources (uses):				
Operating transfers in (out)	(2,491,579)	(2,491,579)	(2,365,880)	125,699
Total other financing sources	<u>(2,491,579)</u>	<u>(2,491,579)</u>	<u>(2,365,880)</u>	<u>125,699</u>
Net changes in fund balance	(2,025,798)	(2,025,798)	(1,137,107)	888,691
Fund balance at beginning of year	<u>10,246,920</u>	<u>10,246,920</u>	<u>10,246,920</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,221,122</u>	<u>\$ 8,221,122</u>	<u>\$ 9,109,813</u>	<u>\$ 888,691</u>

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF CUSHING
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2023
(Unaudited)

SPECIAL REVENUE FUNDS

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Charges for services	\$ 385,000	\$ 385,000	\$ 459,831	\$ 74,831
Interest	-	-	36,050	36,050
Taxes	67,821	67,821	74,240	6,419
Intergovernment programs	1,072,000	1,072,000	99,820	(972,180)
Donations and other	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,524,821</u>	<u>1,524,821</u>	<u>689,941</u>	<u>(854,880)</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	8,089	8,089	8,089	-
Highways, roads, & airport	1,050,125	1,050,125	993,341	56,784
Cultural & recreational	64,211	64,211	53,209	11,002
Capital outlay	-	-	-	-
Total expenditures	<u>1,122,425</u>	<u>1,122,425</u>	<u>1,054,639</u>	<u>67,786</u>
Excess of revenue over (under) expenditures	402,396	402,396	(384,698)	(787,094)
Other financing sources (uses):				
Operating transfers in (out)	-	-	1,500,000	1,500,000
Net changes in fund balance	402,396	402,396	1,115,302	712,906
Fund balance at beginning of year	<u>2,690,792</u>	<u>2,690,792</u>	<u>2,690,792</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,093,188</u>	<u>\$ 3,093,188</u>	<u>\$ 3,806,094</u>	<u>\$ 712,906</u>

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF CUSHING
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2023
(Unaudited)

CAPITAL PROJECTS FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Interest	\$ -	\$ -	\$ 25,434	\$ 25,434
Intergovernment programs	-	-	-	-
Donations and other	10,000	10,000	10,000	-
Miscellaneous	-	-	-	-
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>35,434</u>	<u>25,434</u>
Expenditures:				
General government	-	-	-	-
Public safety	38,900	38,900	38,900	-
Cultural & recreational	3,500	3,500	3,130	370
Interest expense	-	-	-	-
Capital outlay	1,425,165	1,425,165	678,309	746,856
Total expenditures	<u>1,467,565</u>	<u>1,467,565</u>	<u>720,339</u>	<u>747,226</u>
Excess of revenue over (under) expenditures	(1,457,565)	(1,457,565)	(684,905)	772,660
Other financing sources (uses):				
Operating transfers in (out)	1,826,022	1,826,022	727,371	(1,098,651)
Net changes in fund balance	368,457	368,457	42,466	(325,991)
Fund balance at beginning of year	<u>3,479,623</u>	<u>3,479,623</u>	<u>3,479,623</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,848,080</u>	<u>\$ 3,848,080</u>	<u>\$ 3,522,089</u>	<u>\$ (325,991)</u>

The Notes to Required Supplemental Information are an integral part of this statement.

**CITY OF CUSHING
Cushing, Oklahoma**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2023
(Unaudited)**

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department which includes general government; public safety; highways, roads & airport; cultural & recreational; and administrative; and included within each department it is divided by class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

CITY OF CUSHING
Cushing, Oklahoma

OTHER SUPPLEMENTARY INFORMATION
June 30, 2023

CITY OF CUSHING
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2023

	Special Revenue			Debt Service	Capital Projects			Permanent Funds			Total Non-Major Governmental Funds
	Street & Alley Fund	Airport	Grant		Sinking Fund	Library Quadrangle	Sales Tax	Capital Improvement	Deferred Compen-sation	Cushing Industrial Authority	
Assets:											
Cash and equivalents	\$ 2,679,786	\$ 1,089,248	\$ 41,766	\$ 54,860	\$ 172,386	\$ 2,318,575	\$ 13,083	\$ -	\$ 280,522	\$ 6,650,226	
Investments at cost	-	-	-	1,190,000	500,000	282,000	-	1,139,290	462,381	3,573,671	
Accounts receivable, net	7,560	-	-	-	-	-	-	-	-	7,560	
Prepaid expenses	-	13	-	-	-	-	-	-	-	13	
Land	-	-	-	-	-	-	-	-	100,020	100,020	
Depreciable assets	-	-	-	-	-	-	-	-	909	909	
Due from other funds	-	-	-	-	55,648	222,593	-	-	7,434	285,675	
Notes receivable	-	-	-	-	-	-	-	-	-	-	
Grants receivable	-	-	-	-	-	-	-	-	-	-	
Interest receivable	-	-	-	4,349	1,356	1,360	-	-	357	7,422	
Total assets	\$ 2,687,346	\$ 1,089,261	\$ 41,766	\$ 1,249,209	\$ 729,390	\$ 2,824,528	\$ 13,083	\$ 1,139,290	\$ 851,623	\$ 10,625,496	
Liabilities:											
Accounts payable	\$ 5,782	\$ 3,776	\$ 561	\$ -	\$ -	\$ 10,266	\$ -	\$ -	\$ 142,381	\$ 162,766	
Accrued payroll	-	2,160	-	-	-	-	-	-	-	2,160	
Plan participants	-	-	-	-	-	-	-	1,139,290	-	1,139,290	
Due to other funds	-	-	-	-	34,646	-	-	-	-	34,646	
Total liabilities	5,782	5,936	561	-	34,646	10,266	-	1,139,290	142,381	1,338,662	
Fund balances:											
Restricted	2,681,564	1,083,325	41,205	1,249,209	694,744	2,814,262	13,083	-	709,242	9,286,634	
Total fund balances	2,681,564	1,083,325	41,205	1,249,209	694,744	2,814,262	13,083	-	709,242	9,286,634	
Total liabilities and fund balances	\$ 2,687,346	\$ 1,089,261	\$ 41,766	\$ 1,249,209	\$ 729,390	\$ 2,824,528	\$ 13,083	\$ 1,139,290	\$ 851,623	\$ 10,625,496	

CITY OF CUSHING
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	Special Revenue		Debt Service		Capital Projects			Permanent Funds			Total Non-Major Governmental Funds
	Street & Alley Fund	Airport	Grant	Sinking Fund	Library Quadrangleplex	Sales Tax	Capital Improvement	Deferred Compensation	Cushing Industrial Authority		
Revenues:											
Taxes	74,240	-	-	-	-	-	-	-	-	-	74,240
Intergovernmental programs	-	32,000	67,820	-	-	-	-	-	-	-	99,820
Charges for services	-	459,831	-	-	-	-	-	-	-	-	459,831
Donations	-	-	-	-	-	10,000	-	-	-	-	10,000
Interest	36,050	-	-	28,502	11,703	13,731	-	-	17,171	-	107,157
Sale of property	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	5,891	-	5,891
Total revenues	110,290	491,831	67,820	28,502	11,703	23,731	-	-	23,062	-	756,939
Expenditures:											
Economic development	-	-	-	-	-	-	-	-	-	-	140,213
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	8,089	-	-	38,900	-	-	-	-	46,989
Highways, roads & airport	464,364	528,977	-	-	-	-	-	-	-	-	993,341
Cultural & recreation	-	-	53,209	-	3,130	-	-	-	-	-	56,339
Interest expense	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	678,309	-	-	-	-	678,309
Total expenditures	464,364	528,977	61,298	-	3,130	717,209	-	-	140,213	-	1,915,191
Excess of revenues over (under) expenditures	(354,074)	(37,146)	6,522	28,502	8,573	(693,478)	-	-	(117,151)	-	(1,156,252)
Other financing uses:											
Operating transfers in (out)	1,000,000	500,000	-	(24,356)	-	727,371	-	-	67,286	-	2,270,301
Excess of revenues over (under) expenditures & transfers	645,926	462,854	6,522	4,146	8,573	33,893	-	-	(49,865)	-	1,112,049
Fund balance-beginning of year	2,035,638	620,471	34,683	1,245,063	686,171	2,780,369	13,083	-	759,107	-	8,174,565
Fund balance-end of year	2,681,564	1,083,325	41,205	1,249,209	694,744	2,814,262	13,083	-	709,242	-	9,286,634

CITY OF CUSHING
Cushing, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2023

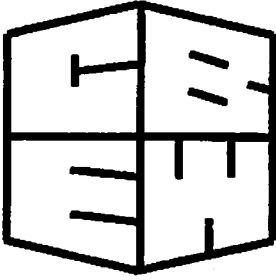
<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation:</u>				
FAA - Award #3-40-0023-022-2021	20.106	118,528	-	-
FAA - Award #3-40-0023-024-2022	20.106	32,000	32,000	32,000
Sub-total U.S. Department of Transportation		150,528	32,000	32,000
<u>Passed through the Oklahoma Department of Transportation:</u>				
CRRSSA	20.513	81,522	1,118	1,118
FHWA - Rec Trails	20.219	300,000	108,137	300,000
Sub-total Oklahoma Department of Transportation		381,522	109,255	301,118
<u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u>				
<u>Passed through the Oklahoma Department of Libraries:</u>				
State Library Program	45.310	3,902	3,902	3,902
<u>U.S. Department of Justice:</u>				
<u>Passed through the Oklahoma Department of Justice:</u>				
JAG Grant - LLE-2022	16.738	8,089	8,089	8,089
<u>U.S. Department of Homeland Security:</u>				
<u>Passed through the Oklahoma Department of Emergency Management:</u>				
<u>Cares Act Cluster:</u>				
ARPA - CLFRF - OK1136	21.027	1,336,345	-	185,216
Sub-total Cares Act Cluster		1,336,345	-	185,216
FEMA DR 2022 - EMPG	97.042	786	786	786
PA FEMA DR 4575 PW	97.042	39,379	39,379	39,379
Sub-total U.S. Department of Homeland Security		40,165	40,165	40,165
Total of Expenditures of Federal Awards		\$ 1,920,551	\$ 193,411	\$ 570,490

Note A - Basis of Presentation - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2023. Because the Schedule presents only selected portion of the operations of the City, it is not intended and does not present the financial position, changes in net assets, or cash flows of the City.

Note B - Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

CITY OF CUSHING
Cushing, Oklahoma

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2023



CBEW Professional Group, LLP

Certified Public Accountants

P.O. Box 790

Cushing, OK 74023

918-225-4216 FAX 918-225-4315

Charles E. Crooks, Jr., CPA – Trisha J. Rieman, CPA – Gabrielle Conchola, CPA

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

September 20, 2023

Honorable Board of City Commissioners
City of Cushing
Cushing, 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, each major fund, and the aggregate remaining fund information of the City of Cushing, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Cushing, Oklahoma's basic financial statements, and have issued our report thereon dated September 20, 2023

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.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF CUSHING
Cushing, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2023

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None