

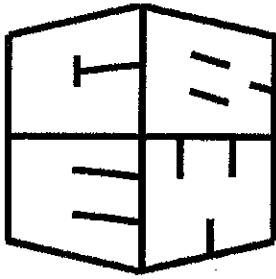
CITY OF PAWNEE
Pawnee, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2022

CITY OF PAWNEE
Pawnee, Oklahoma

CONTENTS

	Page No.
Independent Auditor's Report	1-3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	4
Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis	5-6
Fund Financial Statements:	
Statement of Assets, Liabilities and Fund Balance - Governmental Funds – Modified Cash Basis	7
Reconciliation of the Governmental Funds Statement of Assets, Liabilities and Fund Balance to the Government-Wide Statement of Net Position – Modified Cash Basis	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds – Modified Cash Basis	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis	10
Statement of Net Fund Position - Proprietary Funds – Modified Cash Basis	11
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – Modified Cash Basis	12
Statement of Cash Flows - Proprietary Funds – Modified Cash Basis	13
Notes to the Basic Financial Statements	14-29
Other Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Modified Cash Basis) and Actual – Governmental Funds	30-31
Notes to Supplemental Information	32
Combining Statement of Assets, Liabilities and Fund Balance – Non-Major Governmental Funds – Modified Cash Basis	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds – Modified Cash Basis	34
Report Required by Government Auditing Standards:	
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 <i>Government Auditing Standards</i>	35-36
Schedule of Findings and Responses	37
Summary Schedule of Prior Audit Findings	38



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INDEPENDENT AUDITOR'S REPORT

January 25, 2023

To the Honorable City Council
City of Pawnee
Pawnee, Oklahoma

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pawnee, Oklahoma, (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pawnee, Oklahoma, as of June 30, 2022, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinions

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

Emphasis of Matter - Basis of Accounting

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

Responsibility of Management for the Financial Statements

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

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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 Pawnee, 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 Pawnee, Oklahoma's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Other Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF PAWNEE
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 2)	\$ 735,219	\$ 247,825	\$ 983,044
Investments, at cost	106,708	27,890	134,598
Restricted assets:			
Insurance deposit	27,480	-	27,480
Cash & cash equivalents (Note 2)	-	404,689	404,689
Investments, at cost	-	57,301	57,301
Capital assets:			
Land	134,000	143,735	277,735
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	2,185,615	11,362,125	13,547,740
Total assets	\$ 3,189,022	\$ 12,243,565	\$ 15,432,587
Deferred outflows of resources:			
Deferred amounts related to pensions	-	-	-
Total deferred outflows	-	-	-
Liabilities:			
Current liabilities:			
Meter deposit payable	\$ -	\$ 152,234	\$ 152,234
Capital lease payable	18,683	-	18,683
Notes payable (Note 2)	10,000	653,964	663,964
Settlement payable (Note 2)	-	45,000	45,000
Revenue bonds payable (Note 2)	-	83,873	83,873
Non-current liabilities:			
Capital lease payable	33,213	-	33,213
Notes payable (Note 2)	-	5,368,010	5,368,010
Settlement payable (Note 2)	-	18,750	18,750
Revenue bonds payable (Note 2)	-	980,360	980,360
Total liabilities	61,896	7,302,191	7,364,087
Deferred inflows of resources:			
Deferred amounts related to pensions	-	-	-
Total deferred inflows	-	-	-
Net position:			
Net investment in capital assets	2,257,719	4,419,653	6,677,372
Restricted	698,142	322,742	1,020,884
Unrestricted	171,265	198,979	370,244
Total net position	\$ 3,127,126	\$ 4,941,374	\$ 8,068,500

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

CITY OF PAWNEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
City clerk	\$ 147,731	\$ -	\$ -	\$ -	\$ (147,731)
City mayor	-	-	-	-	-
City treasurer	-	-	-	-	-
General government	98,286	15,792	531,098	-	448,604
Total general government	246,017	15,792	531,098	-	300,873
Public safety and judiciary:					
Animal control	16,188	745	-	-	(15,443)
Code enforcement	-	-	-	-	-
911 fund	47,924	67,817	-	-	19,893
City attorney	-	-	-	-	-
Fire and ambulance	579,341	288,012	55,344	-	(235,985)
Municipal court	6,861	23,274	-	-	16,413
Police	319,925	-	1,067	-	(318,858)
Total public safety and judiciary	970,239	379,848	56,411	-	(533,980)
Transportation:					
Streets	223,811	-	-	-	(223,811)
Total transportation	223,811	-	-	-	(223,811)
Cultural, parks and recreation:					
Cemetery	14,381	13,722	1,650	-	991
Lake	-	39,543	-	-	39,543
Library	57,102	-	11,553	-	(45,549)
Parks & bath house	136,066	6,649	300	-	(129,117)
Total cultural, parks and recreation	207,549	59,914	13,503	-	(134,132)
Unallocated depreciation*	132,637	-	-	-	(132,637)
Total governmental activities	1,780,253	455,554	601,012	-	(723,687)
Business-type activities					
General & administrative	114,771	-	-	-	(114,771)
Personal services	389,909	-	-	-	(389,909)
Electric service	1,962,858	2,632,754	5,660	-	675,556
Water service	164,950	424,620	-	-	259,670
Sewer & refuse service	417,727	640,247	-	-	222,520
Industrial authority	-	12,350	-	-	12,350
Municipal authority	-	36,000	-	-	36,000
Financing costs	224,744	-	-	-	(224,744)
Unallocated depreciation*	521,862	-	-	-	(521,862)
Total business-type activities	3,796,821	3,745,971	5,660	-	(45,190)
Total primary government	\$ 5,577,074	\$ 4,201,525	\$ 606,672	\$ -	\$ (768,877)

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

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

CITY OF PAWNEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2022

	Net (Expense) Revenue and Changes In Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (723,687)	\$ (45,190)	\$ (768,877)
General revenues:			
Taxes:			
Sales and use taxes	877,574	-	877,574
Cigarette taxes	5,909	-	5,909
Franchise taxes	19,090	-	19,090
Intergovernmental	60,730	-	60,730
Investment earnings	885	643	1,528
Miscellaneous	32,575	117,418	149,993
Property sales	61,278	9,000	70,278
Net pension changes	-	-	-
Late charges	-	52,834	52,834
Transfers	167,595	(167,595)	-
Total general revenues and transfers	<u>1,225,636</u>	<u>12,300</u>	<u>1,237,936</u>
Change in net position	501,949	(32,890)	469,059
Net position - beginning of year	<u>2,625,177</u>	<u>4,974,264</u>	<u>7,599,441</u>
Net position - end of year	<u>\$ 3,127,126</u>	<u>\$ 4,941,374</u>	<u>\$ 8,068,500</u>

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

CITY OF PAWNEE
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
June 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments:			
Cash & cash equivalents	\$ 586,773	\$ 148,446	\$ 735,219
Investments, at cost	51,493	55,215	106,708
Restricted assets:			
Insurance deposit	27,480	-	27,480
Total assets	<u>\$ 665,746</u>	<u>\$ 203,661</u>	<u>\$ 869,407</u>
Liabilities:			
Cash overdraft	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:			
Restricted for:			
Cemetery	-	120,070	120,070
Other purposes	450,819	83,591	534,410
Committed to:			
Police, fire & ambulance	43,662	-	43,662
Unassigned	<u>171,265</u>	<u>-</u>	<u>171,265</u>
Total fund balance	<u>665,746</u>	<u>203,661</u>	<u>869,407</u>
Total liabilities and fund equity	<u>\$ 665,746</u>	<u>\$ 203,661</u>	<u>\$ 869,407</u>

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

CITY OF PAWNEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS, LIABILITIES AND FUND
BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
MODIFIED CASH BASIS
June 30, 2022

Total Fund Balances - Total Governmental Funds	\$	869,407
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Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Capital leases and notes payable	(61,896)
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	134,000	
Buildings & Improvements		2,354,397	
Major movable equipment		2,388,482	
Infrastructure		872,897	
Accumulated Depreciation		<u>(3,430,161)</u>	
Total			<u>2,319,615</u>

Net position of governmental activities	\$	<u><u>3,127,126</u></u>
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The accompanying notes are an integral part of the basic financial statements.

CITY OF PAWNEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
Year Ended June 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Charges for services	\$ 344,213	\$ 81,539	\$ 425,752
Licenses and permits	6,528	-	6,528
Lot sales	-	-	-
Miscellaneous revenue	32,241	334	32,575
Franchise fees	19,090	-	19,090
Fines and forfeitures	23,274	-	23,274
Sales and use tax	877,574	-	877,574
Cigarette taxes	5,909	-	5,909
Intergovernmental programs	45,070	15,660	60,730
Donations	25,377	1,650	27,027
Interest	541	344	885
Rental	-	-	-
Property sales	61,278	-	61,278
Special assessments	-	-	-
Grants	573,985	-	573,985
Total revenues	<u>2,015,080</u>	<u>99,527</u>	<u>2,114,607</u>
Expenditures:			
Current:			
General government	246,017	-	246,017
Public safety	916,947	47,924	964,871
Highways & roads	-	223,811	223,811
Cultural, parks & recreation	193,168	14,381	207,549
Health & welfare	-	-	-
Economic development	-	-	-
Lease payments	62,126	9,597	71,723
Capital outlay	128,940	15,744	144,684
Total expenditures	<u>1,547,198</u>	<u>311,457</u>	<u>1,858,655</u>
Excess of revenues over (under) expenditures	467,882	(211,930)	255,952
Other financing uses:			
Operating transfers in (out)	(14,620)	182,215	167,595
Loan proceeds	-	44,250	44,250
Excess of revenues over (under) expenditures & transfers	453,262	14,535	467,797
Fund balance - beginning of year	<u>212,484</u>	<u>189,126</u>	<u>401,610</u>
Fund balance - end of year	<u>\$ 665,746</u>	<u>\$ 203,661</u>	<u>\$ 869,407</u>

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

CITY OF PAWNEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 467,797
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report loan proceeds as revenue. However, in the Government-Wide Statement of Activities, the proceeds received are recorded as a liability. This is the amount received in the current period.	(44,250)
Governmental Funds report lease payments as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period.	66,355
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.	144,684
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>(132,637)</u>
Change in Net Position of Governmental Activities	\$ <u>501,949</u>

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

CITY OF PAWNEE
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
MODIFIED CASH BASIS
June 30, 2022

Business-type Activities - Enterprise Funds

	Pawnee Public Works Authority			Pawnee Industrial Authority (Non-major)	Pawnee Municipal Authority (Non-major)	Totals
	Water & Electric	Sewage & Solid Waste	Meter Fund			
Assets:						
Cash and investments:						
Cash & cash equivalents (Note 2)	\$ 160,774	\$ 33,370	\$ -	\$ 36,354	\$ 17,327	\$ 247,825
Investments, at cost	27,890	-	-	-	-	27,890
Restricted assets:						
Cash & cash equivalents (Note 2)	154,554	168,188	81,947	-	-	404,689
Investments, at cost	-	-	57,301	-	-	57,301
Capital assets:						
Land	10,000	-	-	72,611	61,124	143,735
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	3,737,871	7,361,494	-	251,691	11,069	11,362,125
Total assets	\$ 4,091,089	\$ 7,563,052	\$ 139,248	\$ 360,656	\$ 89,520	\$ 12,243,565
Liabilities:						
Current liabilities:						
Due to other funds	\$ 12,986	\$ -	\$ (12,986)	\$ -	\$ -	\$ -
Meter deposit liability	-	-	152,234	-	-	152,234
Notes payable (Note 2)	460,315	193,649	-	-	-	653,964
Settlement payable (Note 2)	45,000	-	-	-	-	45,000
Revenue bonds payable (Note 2)	83,873	-	-	-	-	83,873
Non-current liabilities:						
Notes payable (Note 2)	993,236	4,374,774	-	-	-	5,368,010
Settlement payable (Note 2)	18,750	-	-	-	-	18,750
Revenue bonds payable (Note 2)	980,360	-	-	-	-	980,360
Total liabilities	2,594,520	4,568,423	139,248	-	-	7,302,191
Net position:						
Net investment in capital assets	1,230,087	2,793,071	-	324,302	72,193	4,419,653
Restricted	154,554	168,188	-	-	-	322,742
Unrestricted	111,928	33,370	-	36,354	17,327	198,979
Total net position	\$ 1,496,569	\$ 2,994,629	\$ -	\$ 360,656	\$ 89,520	\$ 4,941,374

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

CITY OF PAWNEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
MODIFIED CASH BASIS
Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds					
	Pawnee Public Works Authority			Pawnee Industrial Authority (Non-major)	Pawnee Municipal Authority (Non-major)	Totals
	Water & Electric	Sewage & Solid Waste	Meter Fund			
Revenues:						
Electric	\$ 2,632,754	\$ -	\$ -	\$ -	\$ -	\$ 2,632,754
Water	424,620	-	-	-	-	424,620
Sewer	-	361,729	-	-	-	361,729
Refuse	-	278,518	-	-	-	278,518
Insect spray	-	-	-	-	-	-
Late charges	45,471	7,363	-	-	-	52,834
Rental	-	-	-	12,350	36,000	48,350
Sales and fees	-	-	-	-	-	-
Miscellaneous	100,836	15,927	-	655	-	117,418
Total revenues	3,203,681	663,537	-	13,005	36,000	3,916,223
Operating expenses:						
General & administrative	65,462	12,832	-	477	36,000	114,771
Personal services	314,926	74,983	-	-	-	389,909
Electric service	1,962,858	-	-	-	-	1,962,858
Water service	164,950	-	-	-	-	164,950
Sewer & refuse service	-	417,727	-	-	-	417,727
Depreciation	218,110	279,469	-	22,881	1,402	521,862
Total operating expenses	2,726,306	785,011	-	23,358	37,402	3,572,077
Income before non-operating revenues, expenses & transfers	477,375	(121,474)	-	(10,353)	(1,402)	344,146
Non-operating revenues (expenses):						
Interest income	538	87	-	17	1	643
Interest expense	(85,624)	(134,995)	-	-	-	(220,619)
Grant and donation revenue	5,660	-	-	-	-	5,660
Property sales	9,000	-	-	-	-	9,000
Trustee fees	(2,250)	(1,875)	-	-	-	(4,125)
Total non-operating	(72,676)	(136,783)	-	17	1	(209,441)
Income (loss) before operating transfers	404,699	(258,257)	-	(10,336)	(1,401)	134,705
Transfers in (out)	(327,281)	167,709	-	(8,023)	-	(167,595)
Change in net position	77,418	(90,548)	-	(18,359)	(1,401)	(32,890)
Net position at beginning of year	1,419,151	3,085,177	-	379,015	90,921	4,974,264
Net position at end of year	\$ 1,496,569	\$ 2,994,629	\$ -	\$ 360,656	\$ 89,520	\$ 4,941,374

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

CITY OF PAWNEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
MODIFIED CASH BASIS
Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds					
	Pawnee Public Works Authority			Pawnee Industrial Authority (Non-major)	Pawnee Municipal Authority (Non-major)	Totals
	Water & Electric	Sewage & Solid Waste	Meter Fund			
Cash flows from operating activities:						
Cash received from customers & service users	\$ 3,102,845	\$ 663,537	\$ 10,625	\$ 12,350	\$ 36,000	\$ 3,825,357
Cash payments for goods & services & employees	(2,508,196)	(505,542)	-	(477)	(36,000)	(3,050,215)
Other operating revenues	100,838	-	-	655	-	101,491
Net cash provided by operating activities	695,485	157,995	10,625	12,528	-	876,633
Cash flows from noncapital financing activities:						
Change in due to/from	-	-	-	-	-	-
Operating transfers in/(out) to other funds	(327,281)	167,709	-	(8,023)	-	(167,595)
Net cash provided (used) for noncapital financing activities	(327,281)	167,709	-	(8,023)	-	(167,595)
Cash flows from capital and related financing activities:						
Principal paid on debt	(97,235)	(186,374)	-	-	-	(283,609)
Interest paid on debt	(85,505)	(134,995)	-	-	-	(220,500)
Grant monies received	5,660	-	-	-	-	5,660
Acquisition & construction of capital assets	(206,379)	(8,411)	-	-	-	(212,790)
Sale of asset	9,000	-	-	-	-	9,000
Trustee fees	(2,250)	(1,875)	-	-	-	(4,125)
Net cash provided (used) for capital and related financing activities	(376,709)	(329,655)	-	-	-	(706,364)
Cash flows from investing activities:						
(Purchase) liquidation of investments - unrestricted	(111)	-	-	-	-	(111)
Interest on investments	538	87	-	17	1	643
Net cash provided by investing activities	427	87	-	17	1	532
Net Increase (decrease) in cash & cash equivalents	(8,078)	(3,864)	10,625	4,522	1	3,206
Cash and cash equivalents - beginning of year	323,406	205,422	71,322	31,832	17,326	649,308
Cash and cash equivalents - end of year	\$ 315,328	\$ 201,558	\$ 81,947	\$ 36,354	\$ 17,327	\$ 652,514
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 477,375	\$ (121,474)	\$ -	\$ (10,353)	\$ (1,402)	\$ 344,146
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	218,110	279,469	-	22,881	1,402	521,862
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	-	-	-	-	-	-
Increase (decrease) in payroll taxes payable	-	-	-	-	-	-
Increase (decrease) in accrued expenses	-	-	-	-	-	-
Increase (decrease) in meter deposit liability	-	-	10,625	-	-	10,625
Total adjustments	218,110	279,469	10,625	22,881	1,402	532,487
Net cash provided by operating activities	\$ 695,485	\$ 157,995	\$ 10,625	\$ 12,528	\$ -	\$ 876,633

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

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pawnee, Oklahoma (the City) accounting policies and financial statement presentation conform to the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles and are recommended by the Government Financial Officers Association (GFOA) small government annual financial report model. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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

If the City utilized the basis of accounting recognized as generally accepted by GASB, the government-wide financial statements would be presented on the accrual basis of accounting, the governmental funds would utilize the modified accrual basis of accounting, and the proprietary funds would utilize the accrual basis of accounting.

The more significant accounting policies established in the modified cash basis of accounting and used by the City as well as a further description of departures from governmental GAAP are discussed below.

A. Reporting Entity

The City of Pawnee, Oklahoma was organized under the statutes of the State of Oklahoma. The City operates under a statutory aldermanic form of government in which the citizens elect a mayor at large and eight council members by wards. The City provides the following services as authorized by state statutes: general government, public safety (fire, police and ambulance), streets, public works (electric, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the City of Pawnee, 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, entities for which the City is considered to be financially accountable. Blended component units, 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:

The Pawnee Public Works Authority (PPWA) was created pursuant to a Trust Indenture dated July 2, 1979, to finance, operate, construct and administer any public works, improvements or facilities for the benefit of the City of Pawnee, Oklahoma. The public works systems owned by the City have been leased to the PPWA. The PPWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes, and is governed by a board consisting of seven trustees identical with the City Council. The PPWA is exempt from State and Federal Income taxes. The PPWA is reported as an enterprise fund and includes the Water and Electric Fund and the Sewage and Solid Waste Fund.

The Pawnee Industrial Authority (PIA) was created pursuant to a Trust Indenture dated June 22, 1966, to promote the development of industry for the benefit of the City of Pawnee, Oklahoma. The PIA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes, and is governed by a board consisting of seven trustees identical with the City Council. The PIA is exempt from State and Federal Income taxes. The PIA is reported as an enterprise fund.

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Pawnee Municipal Hospital Authority (PMHA) was created pursuant to a Trust Indenture dated March 3, 1975, to finance, operate, construct, regulate, administer or lease any hospital and related facilities for the benefit of the City of Pawnee, Oklahoma. The hospital facilities owned by the City have been leased to the PMHA, which in turn has sub-leased the facilities to an independent operating company. The PMHA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes, and is governed by a board consisting of seven trustees identical with the City Council. The PMHA is exempt from State and Federal Income taxes. The PMHA is reported as a special revenue fund.

The Pawnee Municipal Authority (PMA) was created pursuant to a Trust Indenture dated July 8, 1983, to finance, operate, and administer the Pawnee Municipal Golf Course for the benefit of the City of Pawnee, Oklahoma. The golf course owned by the City has been leased by the PMA to outside interests. The PMA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes, and is governed by a board consisting of seven trustees appointed by the City Council. The PMA is exempt from State and Federal Income taxes. The PMA is reported as an enterprise fund.

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

The City's financial statements consist of government-wide statements, including a statement of net position and a statement of revenues, expenses and changes in net position, 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 normally prepared using the accrual basis of accounting but the City of Pawnee's presentation is on a modified cash basis.

Government-wide Financial Statements – The statement of net position and the statement of revenues, expenses and changes in net position display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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.

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. The City of Pawnee presents its governmental activities on the modified cash basis of accounting rather than generally accepted accounting principles (GAAP). GAAP requires that governmental fund types would use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under that basis of accounting, revenues would be 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. GAAP provides that all revenues are available if they are collected within 60 days after year-end. For GAAP, expenditures would be recorded when the fund liability is incurred with certain exceptions (general long-term debt and certain compensated absences, claims and judgments).

The City of Pawnee records governmental fund expenditures as they are paid rather than when the obligation is incurred.

Sales and use taxes, cigarette 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 under GAAP but are not recognized as revenue until received under the modified cash basis. Other receipts and taxes (franchise taxes, licenses, etc.) are recognized as revenue when received by the government.

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

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.

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 Fund, Cemetery Fund, and 911 Fund.

Capital Project Funds – 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. The City currently does not have any capital project funds.

Debt Service Funds – 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. The City's Debt Service Funds are the Sinking Fund, which doesn't have any activity for the year.

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 permanent fund is composed of the Cemetery Perpetual Care Fund.

Proprietary funds – Proprietary funds are classified as enterprise funds. In the City's modified cash basis financial statements revenues are recorded when received and expenditures are recorded when paid with the exception of payroll taxes withheld, other withholdings, and accrued compensated absences which the City records as a modification to the cash basis of accounting. The accrual amounts are not material to the financial statement presentation. Proprietary funds are classified as enterprise funds.

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 following are the City's major enterprise funds:

Water & Electric Fund – accounts for the operations of providing public works (electric & water).

Sewage and Solid Waste Fund – accounts for the operations of providing public works (sewer & refuse).

The other enterprise funds of the City do not meet the percentage criteria for major funds but the City has elected to treat the following two non-major funds as though they were major funds for purposes of presentation within the proprietary funds of the financial statements rather than aggregating this information separately solely for the benefit of user understandability of the financial statements.

Pawnee Industrial Authority – accounts for the operations of providing building rentals to industrial businesses. The City has elected this fund to be treated as a major fund.

Pawnee Municipal Authority – accounts for the operations and maintenance of a public golf course. The City has elected this fund to be treated as a major fund.

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 a fiduciary fund.

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The restricted cash and investments are the result of financial requirements of Utility System Revenue Bonds issued by the Pawnee Public Works Authority and consist of funds held in a Debt Service Fund and a Bond Reserve Fund. Under the terms and provisions of the promissory note, these special 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 funds are to be maintained so long as the bonds 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 when the funds shall be required for the purpose intended by the bonds.

3. Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents and investments. 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 balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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".

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.

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

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 \$1,000. 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 after July 1, 2003 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 or not 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.

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

Description	Governmental Activities	Business-Type Activities
	Estimated Lives	Estimated Lives
Buildings and improvements	15-40 years	15-40 years
Vehicles, equipment, and furniture	5-20 years	5-20 years
Utility systems	15-40 years	15-40 years

8. Compensated Absences

City employees are entitled to vacation and sick leave benefits in varying amounts based on their length of employment. It is the City's policy to permit employees to accumulate earned but unused absences to specified maximums. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned. Generally employees are entitled to all accrued vacation leave upon termination. 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. As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences earned but unpaid at year end are not reflected in the financial statements.

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

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 balance sheets. 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 balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

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, 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.

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

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.

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, 2022, the City held deposits of approximately \$1,607,112 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.

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

- 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.).

The deposits and investments held at June 30, 2022 are as follows:

Type:	Governmental Activities	Business-type Activities	Total
	\$	\$	\$
Money Market	762,699	338,606	1,101,305
Certificates of deposit	106,708	85,191	191,899
Govt Bond and Mutual Funds	-	313,908	313,908
Total deposits	<u>\$ 869,407</u>	<u>\$ 737,705</u>	<u>\$ 1,607,112</u>

Reconciliation to the statement of net position:

Cash and cash equivalents	\$ 735,219	\$ 247,825	\$ 983,044
Restricted cash and cash equivalents	27,480	404,689	432,169
Investments	106,708	27,890	134,598
Restricted investments	-	57,301	57,301
Total	<u>\$ 869,407</u>	<u>\$ 737,705</u>	<u>\$ 1,607,112</u>

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: 12% in Certificates of deposit (\$191,899), 20% in Government bond and mutual funds (\$313,908), 68% in Money Market funds (\$1,101,305).

B. Restricted Cash and Investments

Under terms and provisions of the Bond Indenture, special accounts and reserve funds of the Pawnee Public Works Authority (PPWA) 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 PPWA. 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.

City of Pawnee:	
Cemetery	\$ 120,070
Other purposes	534,410
Pawnee Public Works Authority:	
Customer meter deposits	152,234
BIA	5,379
Revenue fund	317,363
Total restricted cash and investments	<u>\$ 1,129,456</u>

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets

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

	Balance 6/30/21	Additions	Disposals	Balance 6/30/22
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 134,000	\$ -	\$ -	\$ 134,000
Total non-depreciable assets	<u>134,000</u>	<u>-</u>	<u>-</u>	<u>134,000</u>
Depreciable assets:				
Buildings & improvements	2,322,378	32,019	-	2,354,397
Furniture & major movable equipment	2,279,317	112,665	3,500	2,388,482
Infrastructure	872,897	-	-	872,897
Total depreciable assets	<u>5,474,592</u>	<u>144,684</u>	<u>3,500</u>	<u>5,615,776</u>
Less accumulated depreciation:				
Buildings & improvements	(1,055,945)	(23,898)	-	(1,079,843)
Furniture & major movable equipment	(1,890,272)	(86,917)	(3,500)	(1,973,689)
Infrastructure	(354,807)	(21,822)	-	(376,629)
Total accumulated depreciation	<u>(3,301,024)</u>	<u>(132,637)</u>	<u>(3,500)</u>	<u>(3,430,161)</u>
Net depreciable assets	<u>2,173,568</u>	<u>12,047</u>	<u>-</u>	<u>2,185,615</u>
Net governmental activities capital assets	<u>\$ 2,307,568</u>	<u>\$ 12,047</u>	<u>\$ -</u>	<u>\$ 2,319,615</u>

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets (Continued)

	Balance 6/30/21	Additions	Disposals	Balance 6/30/22
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 143,735	\$ -	\$ -	\$ 143,735
Construction in process	-	-	-	-
Total non-depreciable assets	<u>143,735</u>	<u>-</u>	<u>-</u>	<u>143,735</u>
Depreciable assets:				
Buildings & improvements	1,285,365	34,855	-	1,320,220
Sewer treatment facility	10,843,900	-	-	10,843,900
Water treatment facility	3,098,967	-	-	3,098,967
Electric system improvements	1,168,275	-	-	1,168,275
Furniture & major movable equipment	787,304	177,935	118,094	847,145
Distribution systems	3,268,933	-	-	3,268,933
Total depreciable assets	<u>20,452,744</u>	<u>212,790</u>	<u>118,094</u>	<u>20,547,440</u>
Less accumulated depreciation:				
Buildings & improvements	(975,677)	(25,132)	-	(1,000,809)
Sewer treatment facility	(3,313,838)	(271,097)	-	(3,584,935)
Water treatment facility	(1,028,170)	(77,474)	-	(1,105,644)
Electric system improvements	(698,715)	(29,207)	-	(727,922)
Furniture & major movable equipment	(730,779)	(18,212)	(118,094)	(630,897)
Distribution systems	(2,034,368)	(100,740)	-	(2,135,108)
Total accumulated depreciation	<u>(8,781,547)</u>	<u>(521,862)</u>	<u>(118,094)</u>	<u>(9,185,315)</u>
Net depreciable assets	<u>11,671,197</u>	<u>(309,072)</u>	<u>-</u>	<u>11,362,125</u>
Net business-type activities capital assets	<u>\$ 11,814,932</u>	<u>\$ (309,072)</u>	<u>\$ -</u>	<u>\$ 11,505,860</u>

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

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Long-term Debt

For the year ended June 30, 2022, the City's long-term debt changed as follows:

	Balance July 1, 2021	Additions	Payments and Cancellations	Balance June 30, 2022	Amount Due Within One Year
Governmental Activities:					
Leases payable	\$ 74,001	\$ 44,250	\$ 66,355	\$ 51,896	\$ 18,683
Note payable	10,000	-	-	10,000	10,000
Total	<u>\$ 84,001</u>	<u>\$ 44,250</u>	<u>\$ 66,355</u>	<u>\$ 61,896</u>	<u>\$ 28,683</u>
Business-type Activities:					
Leases payable	\$ -	\$ -	\$ -	\$ -	\$ -
Settlement payable	108,750	-	48,750	60,000	45,000
Notes payable	7,324,697	444,966	679,740	7,089,923	737,937
Total	<u>\$ 7,433,447</u>	<u>\$ 444,966</u>	<u>\$ 728,490</u>	<u>\$ 7,149,923</u>	<u>\$ 782,937</u>

At June 30, 2022, the City had the following debt outstanding, to be repaid from governmental activities:

City of Pawnee

Capital lease payable to First National Bank of Pawnee, dated August 15, 2018, in the amount of \$50,000 with an interest rate of 3.45%, secured by an ambulance, be paid in 60 monthly installments of \$909. \$ 12,498

Capital lease payable to First National Bank of Pawnee, dated February 9, 2021, in the amount of \$105,250 with an interest rate of 1.97%, secured by an ambulance, with payment due upon maturity on August 1, 2021. This lease was paid off during the current year. -

Capital lease payable to Armstrong Bank, dated November 10, 2021, in the amount of \$44,250 with an interest rate of 2.739%, secured by a equipment, to be paid in 60 monthly installments of \$791. 39,398

Pawnee Municipal Hospital Authority

Non-recourse note payable to Pawnee County Economic Development Foundation, dated March 31, 2018, in the amount of \$10,000. bearing no interest, and is not an obligation of the City of Pawnee, to be paid in annual installments of \$1,000 beginning March 31, 2019. 10,000

Total to be repaid from governmental activities \$ 61,896

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Long-term Debt (Continued)

At June 30, 2022, the City had the following debt outstanding, to be repaid from business-type activities:

Pawnee Public Works Authority:

Note payable to Oklahoma Water Resources Board, dated May 15, 2009, in the amount of \$1,275,000, with an interest rate of 2.39%, secured by utility assets and revenues, to be paid in semi-annual installments of \$25,500 with final payment due August 15, 2029.	\$ 346,216
Note payable to Oklahoma Water Resources Board, dated August 15, 2013 in the amount of \$1,799,570, with an interest rate of 2.74%, secured by utility assets and revenues, to be paid in semi-annual installments with final payment due February 15, 2023.	1,064,233
Note payable to Oklahoma Water Resources Board, dated May 4, 2011, in the amount of \$5,085,800, with an interest rate of 3.340%, secured by utility assets and revenues, to be paid in semi-annual installments with final payment due on February 15, 2042.	4,222,171
Pawnee Public Works Authority Utility System & Sales Tax Revenue Note, Taxable Series 2014, dated March 14, 2014, in the amount of \$3,005,000 with an interest rate of 3.50%, to be paid in semi-annual installments with a final payment due August 1, 2024.	825,000
Pawnee Public Works Authority Utility System & Sales Tax Revenue Note, Series 2014A, dated July 25, 2014, in the amount of \$755,000 with an interest rate of 2.59%, to be paid in semi-annual installments with a final payment due on July 1, 2024.	208,000
Note payable to First National Bank of Pawnee, dated October 16, 2018, in the amount of \$20,000, with an interest rate of 3.75%, secured by a digger truck, to be paid in 36 monthly installments of \$588. This loan was paid off during the current year.	-
Settlement payable to Lone Chimney Water Association in the amount of \$225,000, dated April 23, 2018, unsecured, payable in monthly installments of \$3,750, and bearing no interest.	63,750
Capital lease payable to Armstrong Bank, dated February 22, 2022, in the amount of \$158,355, with an interest rate of 1.979%, secured by truck, to be paid in monthly installments of \$2,776.	148,273
Note payable to Grand River Dam Authority in the amount of \$286,611, dated November 1, 2021, unsecured, payable in monthly installments of \$2,388, and bearing no interest.	<u>272,280</u>
Total to be repaid from business-type activities	\$ <u>7,149,923</u>

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

D. Long-term Debt (Continued)

Payment Requirements to Maturity:

Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Totals	Principal	Interest	Totals
2023	\$ 28,683	\$ 1,708	\$ 30,391	\$ 782,937	\$ 185,794	\$ 968,731
2024	10,488	830	11,318	783,827	164,442	948,269
2025	8,929	560	9,489	568,057	142,630	710,687
2026	9,186	303	9,489	365,186	130,311	495,497
2027	4,610	84	4,694	363,946	121,678	485,624
2028-2032	-	-	-	1,712,977	481,469	2,194,446
2033-2037	-	-	-	1,238,536	285,817	1,524,353
2038-2042	-	-	-	1,334,457	108,286	1,442,743
Total	\$ 61,896	\$ 3,485	\$ 65,381	\$ 7,149,923	\$ 1,620,427	\$ 8,770,350

3. OTHER INFORMATION

A. Risk Management

The City and its public trusts are 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 and life; unemployment; and natural disasters. These risks are managed by securing commercial insurance for all risks except workers' compensation. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage during the past three fiscal years.

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 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. Contingent Liabilities

Pending Litigation:

From time to time, the City and its public trusts may be parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal government operations; however, the City's legal counsel advises that at report date, there were no pending issues. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a sinking fund for the payment of any court assessed judgment rendered against the City (this provision is not available to public trusts). The City also carries insurance that provides some degree of protection for litigation and legal proceedings.

3. OTHER INFORMATION (Continued)

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

B. Contingent Liabilities (Continued)

Grant Awards:

The City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

Landfill:

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. Closure and post-closure care costs, are not presently determinable, and it is not known if these matters will have a material adverse effect on the financial condition of the City.

C. Employee Retirement System and Other Benefit Plans

The City participates in two employee pension systems as follows:

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 Firefighters Pension & Retirement Plan

Plan Description – The City of Pawnee, 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

3. OTHER INFORMATION (Continued)

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

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

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. The required contribution from the City for this plan was \$14,311, \$14,484, and \$7,050 for 2022, 2021, and 2020, respectively.

Oklahoma Municipal Retirement Fund - Defined Benefit Plan

Plan Description – The City provides pension benefits for substantially all of its full-time employees (excluding firemen who are covered under a separate state retirement system) through a defined benefit cost-sharing plan with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple employer defined benefit plan. An employee includes any person who, if last hired after July 1, 1971, had not reached his 60th birthday at the time of hiring. An employee is eligible to participate in the Plan on the employee's employment commencement date, which means the first day of the first pay period during which the employee receives wages as an employee from which federal taxes are withheld. An employee becomes fully vested after ten years. 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.

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. For the year ended June 30, 2022, 2021, and 2020, the City recognized \$61,042, \$70,361, and \$43,106 of employer contributions to the plan, respectively, which equals the actuarially determined amount based on covered payroll.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through the date of the audit report, which is the date the financial statements were available to be issued. Management continues to evaluate the impact of the COVID-19 pandemic on the City and has concluded that while it is reasonably possible that the virus could have a negative effect on the City's financial position and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CITY OF PAWNEE
Pawnee, Oklahoma

OTHER SUPPLEMENTARY INFORMATION
June 30, 2022

CITY OF PAWNEE
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED CASH BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2022
(Unaudited)

GENERAL FUND

	Budgeted Amounts			Variance with
	Original	Final		Final Budget
	Budget	Budget	Actual	Over (Under)
Revenues:				
Charges for services	\$ 366,785	\$ 366,785	\$ 344,213	\$ (22,572)
Licenses & permits	2,820	2,820	6,528	3,708
Interest	2,283	2,283	541	(1,742)
Franchise fees	101,425	101,425	19,090	(82,335)
Fines & forfeitures	19,156	19,156	23,274	4,118
Taxes	825,317	825,317	928,553	103,236
Grants	170,085	170,085	573,985	403,900
Donations	4,925	4,925	25,377	20,452
Sales of property	3,607	3,607	61,278	57,671
Miscellaneous	154,870	154,870	32,241	(122,629)
Total revenues	<u>1,651,273</u>	<u>1,651,273</u>	<u>2,015,080</u>	<u>363,807</u>
Expenditures:				
Current:				
General government	325,204	325,204	246,017	79,187
Public safety	1,000,914	1,000,914	916,947	83,967
Cultural & recreational	229,763	229,763	193,168	36,595
Leases payable	115,902	115,902	62,126	53,776
Capital outlay	133,500	133,500	128,940	4,560
Total expenditures	<u>1,805,283</u>	<u>1,805,283</u>	<u>1,547,198</u>	<u>258,085</u>
Excess of revenue over				
(under) expenditures	(154,010)	(154,010)	467,882	621,892
Other financing sources (uses):				
Operating transfers in (out)	-	-	(14,620)	(14,620)
Loan proceeds	-	-	-	-
Net changes in fund balance	(154,010)	(154,010)	453,262	607,272
Fund balance at beginning of year	<u>212,484</u>	<u>212,484</u>	<u>212,484</u>	<u>-</u>
Fund balance at end of year	<u>\$ 58,474</u>	<u>\$ 58,474</u>	<u>\$ 665,746</u>	<u>\$ 607,272</u>

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

CITY OF PAWNEE
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED CASH BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2022
(Unaudited)

SPECIAL REVENUE FUNDS

	Budgeted Amounts			Variance with
	Original	Final		Final Budget
	Budget	Budget	Actual	Over (Under)
Revenues:				
Intergovernmental programs	\$ 6,161	\$ 6,161	\$ 15,660	\$ 9,499
Donations	54	54	1,650	1,596
Charges for services	72,496	72,496	81,539	9,043
Interest	425	425	344	(81)
Miscellaneous	410	410	334	(76)
Grants	-	-	-	-
Total revenues	<u>79,546</u>	<u>79,546</u>	<u>99,527</u>	<u>19,981</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	43,745	43,745	47,924	(4,179)
Highways, roads & airport	168,209	168,209	223,811	(55,602)
Cultural, parks & recreation	26,963	26,963	14,381	12,582
Leases payable	-	-	9,597	(9,597)
Capital outlay	9,833	9,833	15,744	(5,911)
Total expenditures	<u>248,750</u>	<u>248,750</u>	<u>311,457</u>	<u>(62,707)</u>
Excess of revenue over				
(under) expenditures	(169,204)	(169,204)	(211,930)	(42,726)
Other financing sources (uses):				
Operating transfers in (out)	-	-	182,215	182,215
Loan proceeds	-	-	44,250	44,250
Net changes in fund balance	(169,204)	(169,204)	14,535	183,739
Fund balance at beginning of year	<u>189,126</u>	<u>189,126</u>	<u>189,126</u>	
Fund balance at end of year	<u>\$ 19,922</u>	<u>\$ 19,922</u>	<u>\$ 203,661</u>	<u>\$ 183,739</u>

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

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2022
(Unaudited)

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with the modified cash basis of accounting. 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 Mayor (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 and 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 does not utilize encumbrance accounting.

CITY OF PAWNEE
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
June 30, 2022

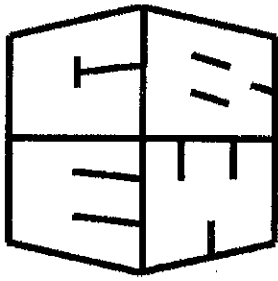
	Special Revenue			Permanent	Debt Service	Total
	911 Fund	Cemetery Fund	Street & Alley Fund	Cemetery Perpetual Care	Sinking Fund	Non-Major Governmental Funds
Assets:						
Cash and equivalents	\$ 44,257	\$ 14,905	\$ 24,429	\$ 64,855	\$ -	\$ 148,446
Investments at cost	-	-	-	55,215	-	55,215
Due from other funds	-	-	-	-	-	-
Total assets	\$ 44,257	\$ 14,905	\$ 24,429	\$ 120,070	\$ -	\$ 203,661
Liabilities:						
Due to other funds	\$ -	\$ -	\$ -	-	-	-
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:						
Restricted	44,257	14,905	24,429	120,070	-	203,661
Total fund balances	44,257	14,905	24,429	120,070	-	203,661
Total liabilities and fund balances	\$ 44,257	\$ 14,905	\$ 24,429	\$ 120,070	\$ -	\$ 203,661

CITY OF PAWNEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
For the Year Ended June 30, 2022

	Special Revenue				Permanent Cemetery Perpetual Care	Debt Service		Total Non-Major Governmental Funds
	911 Fund	Cemetery Fund	Street & Alley Fund	Pawnee Municipal Hospital Authority		Sinking Fund		
Revenues:								
Intergovernmental programs	\$ -	\$ -	\$ 15,660	\$ -	\$ -	-	\$	15,660
Donations	-	-	-	-	1,650	-		1,650
Charges for services	67,817	13,722	-	-	-	-		81,539
Interest	23	5	11	-	305	-		344
Miscellaneous revenues	-	318	16	-	-	-		334
Loan proceeds	-	-	44,250	-	-	-		44,250
Grants	-	-	-	-	-	-		-
Total revenues	\$ 67,840	\$ 14,045	\$ 59,937	\$ -	\$ 1,955	-	\$	143,777
Expenditures:								
Public safety	\$ 47,924	\$ -	\$ -	\$ -	-	-	\$	47,924
Highways & roads	-	-	223,811	-	-	-		223,811
Cultural, parks & recreation	-	14,381	-	-	-	-		14,381
Economic development	-	-	-	-	-	-		-
Lease payments	-	-	9,597	-	-	-		9,597
Capital outlay	-	-	15,744	-	-	-		15,744
Total expenditures	47,924	14,381	249,152	-	-	-		311,457
Excess of revenues over (under) expenditures	19,916	(336)	(189,215)	-	1,955	-		(167,680)
Transfers in (out)	(18,237)	7,238	193,214	-	-	-		182,215
Fund balance - beginning of year	42,578	8,003	20,430	-	118,115	-		189,126
Fund balance - end of year	\$ 44,257	\$ 14,905	\$ 24,429	\$ -	\$ 120,070	-	\$	203,661

CITY OF PAWNEE
Pawnee, Oklahoma

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2022



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Certified Public Accountants

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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

January 25, 2023

To the Honorable City Council
City of Pawnee
Pawnee, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pawnee, Oklahoma, (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Pawnee, Oklahoma's basic financial statements, and have issued our report thereon dated January 25, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 that we consider to be material weaknesses.

Report on 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*.

City's Response to Findings

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

Purpose of this Report

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

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF PAWNEE
Pawnee, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

2022-001. Internal Control – Accounting Records and Record Keeping

Criteria: The City should maintain accounting records that clearly indicate activity by fund where separate funds are required. The accounting system should provide a clear track to the source and use of funds by fund and department. The City is also responsible for keeping records in a suitable condition to accurately support the positions taken by the City relating to any expenditures.

Condition: Receipts are being deposited in special revenue fund accounting and then transfers are being made to the general fund to reimburse the expenditure for a dedicated purpose from the general fund, making it difficult to track compliance as it applied to the use of the funds. Also, during the audit, the City was unable to provide purchase orders and/or receipts to support the expenditures paid during the year. This finding was also noted in 2021.

Cause: The City is using Quickbooks for its accounting system which does not easily adapt to fund accounting. The City did not keep the records organized and readily available, so the City was unable to provide some of the purchase orders and/or receipts at the time of audit.

Effect or Potential Effect: Transactions could be reported in the wrong fund or department. Cash balances by fund may not be accurate. Without having the purchase orders and/or receipts to properly support the expenditures, improper spending could have occurred. Fraud, abuse, or waste could take place and be undetected.

Recommendation: We recommend that management be more organized in their record-keeping and consider the implementation of an accounting system with good integrity that is designed to handle fund accounting.

Responsible Official's Response: The City concurs with the recommendation, and has already taken steps to keep records more organized and easier to find. The City has also implemented a new accounting system to better reflect the City's records.

**CITY OF PAWNEE
Pawnee, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2022**

2021-002. Compliance – Lack of Timely Filed Audit

Condition: The City did not engage an audit firm or complete a fiscal year audit within six months of year end to be submitted to the State Auditor.

Status: This condition has been adequately addressed and corrected. The City had engaged an audit firm to perform the audit on a timely basis. The City is now caught up with audits and state filings.