

City of Beggs

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended
June 30, 2024

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City of Beggs
Beggs, Oklahoma
To Management:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying modified cash basis financial statements of City of Beggs, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Beggs's basic modified cash basis financial statements as listed in the table of contents.

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Beggs, as of June 30, 2024, and the respective changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

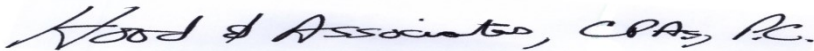
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Beggs'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 Beggs's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2024, on our consideration of the City of Beggs's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Beggs's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Beggs's internal control over financial reporting and compliance.



Hood & Associates CPAs, PC
Tulsa, Oklahoma

November 21, 2024



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

City of Beggs

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits – modified cash basis- contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Beggs, Oklahoma, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2024. Our report included an emphasis-of-matter paragraph related to the City's use of comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2024-1 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items Finding 2032-1 to be significant deficiency.

Compliance and Other Matters

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

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

Hood & Associates, CPAs, PC.

Hood & Associates CPAs, PC
Tulsa, Oklahoma
November 21, 2024

City of Beggs
Statement of Net Position
Modified Cash Basis
June 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,175,474	\$ 25,891	\$1,201,364
Non-current Assets:			
Restricted Assets:			
Cash and Cash Equivalents		76,026	76,026
Capital Assets:			
Property, Plant and Equipment, net	496,846	4,133,697	4,630,543
Total Non-current Assets	496,846	4,209,722	4,706,569
Total Assets	1,672,320	4,235,613	5,907,933
LIABILITIES			
Current Liabilities:			
Meter Deposits Payable		71,450	71,450
Current portion of Notes Payable		217,375	217,375
Total Current Liabilities	0	288,825	288,825
Non-Current Liabilities:			
Notes Payable – net of Current Portion		1,541,625	1,541,625
Total Liabilities	0	1,830,450	1,830,450
NET ASSETS			
Invested in capital assets, net of related debt	496,846	2,374,697	2,871,543
Restricted for:			
Fire Department Fund	196,576		196,576
Other Funds	56,589		56,589
Meter Deposit Funds		4,576	4,576
Unrestricted	922,310	25,891	948,200
Total Net Assets	\$ 1,672,320	\$ 2,405,163	\$4,077,483

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

City of Beggs
Statement of Activities
Modified Cash Basis
For the Year Ended June 30, 2024

Functions/Programs:	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Governmental Activities:</i>					
General Government	\$ 454,617	\$ 58,462	\$	\$ 20,771	\$(375,384)
Cemetery Fund	6,536	19,400			12,864
Auxillary Fund	15,756		206		(15,550)
Public Safety & Judiciary					
Fire	139,234			9,994	(129,240)
Police	355,324	16,462			(338,862)
TOTAL GOVERNMENTAL ACTIVITIES	971,467	94,324	206	30,765	(846,172)
<i>Business Type Activities</i>					
Utility Services	1,023,902	858,159	357,116	0	191,373
TOTAL	<u>\$1,995,369</u>	<u>\$ 952,482</u>	<u>\$ 357,323</u>	<u>\$ 30,765</u>	<u>\$(654,799)</u>

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Changes in Net Assets:			
Net (expense) revenue	\$ (846,172)	\$ 191,373	\$ (654,799)
General revenues:			
Taxes	901,039		901,039
Fees		127,953	127,953
Transfers	(144,138)	144,138	0
Interest Income	28,901	1,315	30,216
Total General Revenues	<u>785,801</u>	<u>273,406</u>	<u>1,059,207</u>
Change in Net Assets	(60,371)	464,779	404,408
Net Assets-beginning	<u>1,732,691</u>	<u>1,940,385</u>	<u>3,673,076</u>
Net Assets-ending	<u>\$1,672,320</u>	<u>\$2,405,164</u>	<u>\$4,077,484</u>

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

City of Beggs
Balance Sheet – Governmental Funds
June 30, 2024

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Other Gov't Funds</u>	<u>Totals</u>
ASSETS				
Cash	<u>\$ 922,310</u>	<u>\$ 196,576</u>	<u>\$ 56,589</u>	<u>\$1,175,474</u>
LIABILITIES & FUND EQUITY				
Fund Equity:				
Assigned	\$	\$ 196,576	\$ 56,589	\$ 253,164
Unassigned	<u>922,310</u>	<u>196,576</u>	<u>56,589</u>	<u>922,310</u>
Total Fund Equity	<u>922,310</u>	<u>196,576</u>	<u>56,589</u>	<u>1,175,474</u>
Total Liabilities & Fund Equity	<u>\$ 922,310</u>	<u>\$ 196,576</u>	<u>\$ 56,589</u>	<u>\$1,175,474</u>

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

City of Beggs
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
Modified Cash Basis
For the Year Ended June 30, 2024

Total Fund Balances – Governmental Funds	\$ 1,175,474
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	<u>496,846</u>
Net Assets of Governmental Activities	<u>\$ 1,672,320</u>

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

City of Beggs
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Modified Cash Basis
For the Year Ended June 30, 2024

	General Fund	Fire Department Fund	Funds	Other Governmental Totals
REVENUES				
Fines	\$	\$	\$ 16,462	\$ 16,462
Licenses & Permits	4,281			4,281
Grants & Donations	20,771	9,994	206	30,971
Charges for Services	19,400			19,400
Investment Income	23,199	5,066	636	28,901
Other Income	54,181			54,181
Taxes	901,039			901,039
Total Revenues	<u>1,022,871</u>	<u>15,060</u>	<u>17,304</u>	<u>1,055,235</u>
EXPENDITURES				
Personal Services	567,257			567,257
Maintenance and Operation	183,465	154,394	37,464	375,323
Capital Outlay				0
Total Expenditures	<u>750,722</u>	<u>154,394</u>	<u>37,464</u>	<u>942,579</u>
Net Change in Fund Balance before transfers	272,149	(139,334)	(20,160)	112,655
Transfer to other funds	<u>(273,805)</u>	<u>129,667</u>	<u>0</u>	<u>(144,138)</u>
Net Change in Fund Balance	(1,656)	(9,668)	(20,160)	(31,483)
Fund Balance - Beginning	<u>923,965</u>	<u>206,244</u>	<u>76,749</u>	<u>1,206,958</u>
Fund Balance - Ending	<u>\$ 922,310</u>	<u>\$ 196,576</u>	<u>\$ 56,589</u>	<u>\$1,175,474</u>

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

City of Beggs
Reconciliation of Change in Fund Balances of Governmental Funds to the Statement of Activities
Modified Cash Basis
For the Year Ended June 30, 2024

Net Change in Fund Balances – Total Governmental Funds \$ (31,483)

Amounts reported for governmental activities in the statement of activities are different because:

In the governmental funds, capital outlays are reported as expenditures while in the government-wide statement of activities, depreciation expense is reported to allocate those expenditures over the life of the assets.

Capital Outlay Expenses	34,934
Other	0
Depreciation expense	<u>(63,822)</u>

Change in Net Assets of Governmental Activities \$ (60,371)

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

City of Beggs
Statement of Net Position
Proprietary Funds-Enterprise Funds
Modified Cash Basis
June 30, 2024

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ <u>25,891</u>
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Non-current Assets:

Restricted Assets:

Cash and Cash Equivalents	76,026
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Capital Assets:

Property, Plant and Equipment, net of accumulated depreciation	<u>4,133,697</u>
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Total Non-current Assets	<u>4,209,722</u>
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Total Assets	<u>4,235,613</u>
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LIABILITIES

Current Liabilities:

Meter Deposits Payable	71,450
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Current Portion of Notes Payable	<u>217,375</u>
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Total Current Liabilities	288,825
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Non-Current Liabilities

Notes Payable – net of current portion	<u>1,541,625</u>
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Total Liabilities	<u>1,830,450</u>
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NET ASSETS

Invested in capital assets	2,374,697
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Restricted	4,576
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Unrestricted	<u>25,891</u>
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Total Net Assets	<u>\$ 2,405,163</u>
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The accompanying notes are an integral part of the financial statements.

City of Beggs
Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Funds
Modified Cash Basis
For the Year Ended June 30, 2024

Operating Revenues:

Water Revenues	\$ 438,057
Sewer Revenues	216,548
Trash Revenues	107,720
Other Revenues	<u>95,834</u>
Total Revenues	<u>858,159</u>

Operating Expenses:

Personal services	188,157
Licenses and fees	10,502
EMS expenses	31,620
Insurance expenses	59,245
Repairs and maintenance	7,953
Fuel and oil	3,000
Lab services	6,615
Miscellaneous	202,335
Postage and Fees	3,691
Depreciation	176,424
Materials and supplies	124,289
Trash Services	102,388
Telephone and Utilities	<u>23,835</u>
Total Operating Expenses	<u>940,054</u>
Operating Income	<u>(81,895)</u>

Non-Operating Revenues (Expenses):

Interest income	1,315
Capital Improvement Fee	127,953
Grant Income	357,116
Transfers In	144,138
Interest expense	<u>(83,849)</u>
Total Non-Operating Revenues (Expenses)	<u>546,674</u>

Change in Net Assets	464,779
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Total Net Position-Beginning	<u>1,940,385</u>
Total Net Position-Ending	<u>\$ 2,405,163</u>

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

City of Beggs
Statement of Cash Flows
Proprietary Fund Type - Enterprise Fund
Modified Cash Basis
For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 858,159
Cash paid for personnel costs	(188,157)
Cash paid for operations and services	<u>(564,573)</u>
Net Cash Provided (Used) by Operating Activities	<u>105,429</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Grant Income	357,116
Capital Improvement Fee	127,953
Transfers In	<u>144,138</u>
Net Cash Provided (Used) by NonCapital Financing Activities	<u>629,207</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	(429,680)
Principal paid	(252,100)
Interest paid	<u>(83,849)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(765,628)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and dividends on investments	<u>1,315</u>
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Net increase (decrease) in cash	(29,678)
Cash and cash equivalents, beginning of year	<u>131,438</u>
Cash and cash equivalents, end of year <i>(Note 1)</i>	<u><u>\$ 101,760</u></u>

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

Operating Activities:

Operating income	\$ (81,895)
Depreciation Expense	176,424
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Net changes in assets and liabilities:	
Meter Deposits Payable	<u>10,900</u>
Net cash provided (used) by operating activities	<u><u>\$ 105,429</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

FINANCIAL REPORTING ENTITY

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

Primary Government:	City of Beggs
Blended Component Unit:	Beggs Public Works Authority

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

Blended Component Units

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

Component Unit	Brief Description/Inclusion Criteria	Reporting
Beggs Public Works Authority	Created to finance, develop and operate The water and sewer services activities.	Enterprise Fund

Discretely Presented Component Units

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

City of Beggs
Notes to the Financial Statements
June 30, 2024

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

BASIS OF PRESENTATION

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

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

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

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

GOVERNMENTAL FUNDS

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

PROPRIETARY FUND

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

Beggs Public Works Authority	Accounts for activities of the public trust in providing Water and sewer services to the public.
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MAJOR AND NON-MAJOR FUNDS

<i>Major:</i>	General fund
	Proprietary Fund: Beggs Public Works Authority
<i>Non-Major:</i>	Fire Department Fund
	Auxillary Fund
	Cemetery Fund
	Municipal Court

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING

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

MEASUREMENT FOCUS

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

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

BASIS OF ACCOUNTING

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

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

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

ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

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

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

Capital Assets

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

Government-Wide Statements

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-60
Building improvements	20-60
Utility system	20-60
Equipment	3-20

Fund Financial Statements

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

Equity Classifications

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

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

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

Reserves and Designations

Reserves represent those portions of fund balances not available for expenditures or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. Employees have up to two (2) weeks vacation leave must be used in the year earned. Therefore no amounts are reported for accrued compensated absences.

REVENUES, EXPENDITURES AND EXPENSES

SALES TAX

The City presently levies a sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately on month after collection by vendors.

USE TAX

The City levies a use-tax on personal property purchased outside the City limits but stored, used or consumed within the City. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received by the vendors. The use taxes are allocated entirely to the General Fund.

OPERATING REVENUES AND EXPENSES

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

EXPENDITURES/EXPENSES

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

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

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

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

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

City of Beggs
Notes to the Financial Statements
June 30, 2024

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

FUND ACCOUNTING REQUIREMENTS

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

<u>Fund</u>	<u>Required By</u>
Municipal Authority Fund	Trust Indenture

FUND EQUITY RESTRICTIONS

DEFICIT PROHIBITION

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The City complied with this statute in all material respects for the year ended June 30, 2024.

REVENUE RESTRICTIONS

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Water, Sewer and Trash Revenue	Utility Operations

For the year ended June 30, 2024 the City complied, in all material respects, with those revenue restrictions.

UNINSURED AND UNCOLLATERALIZED DEPOSITS

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

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

Deposits and Investment Laws and Regulations

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

- 1- Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
- 2- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;
- 3- With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;
- 4- County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district;
- 5- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of national mortgage associations;
- 6- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2024, the City and its public trusts complied, in all material respects, with these investment restrictions.

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for risk of loss, including workers; compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

BUDGETARY ACCOUNTING AND CONTROL

The City operates under the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"), as amended in 1991. The budget, as adopted by the City council, is filed with the State of Oklahoma office of the Auditor and Inspector and with the County Excise Board. Budget supplements made during the year are recommended by the City manager and must be approved by the City council. Amendments are then filed with the two agencies mentioned above. The budget and actual comparisons presented in the financial statements include the legally amended budgets for the respective funds.

The City uses the following procedures in establishing the budgetary data reflected in the accompanying combined financial statements:

- a. Prior to June 1, the City manager submits to the City council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted as regular City meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a motion by the City council.

Formal budgetary integration is employed as a management control device during the year for all governmental funds.

Once the legal budget is adopted by the governing body, all budget amendments, including supplemental, decrease or transfer of appropriations, to the legal level of control as defined below, requires governing body approval.

The level of control at which expenditures may not legally exceed appropriations is at the account category level by department within a fund for each legally adopted fiscal operating budget.

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

CASH AND INVESTMENTS

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The City does not have a deposit policy for custodial credit risk. As of June 30, 2024, none of the City's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

City of Beggs
Notes to the Financial Statements
June 30, 2024

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
<i>Capital assets being depreciated:</i>				
Building, Land and Equipment	\$1,450,424	\$ <u>34,934</u>	\$ <u>0</u>	\$ 1,485,358
Less accumulated depreciation	<u>(924,690)</u>	\$ <u>(63,822)</u>	\$ <u>0</u>	<u>(988,512)</u>
Governmental activity capital assets, net	<u>\$ 525,734</u>			<u>\$ 496,846</u>
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Project in Progress	\$ 0	\$ <u>382,829</u>	\$ <u>0</u>	\$ 382,829
<i>Capital assets being depreciated:</i>				
Land and Distribution System				
Buildings and Improvements, Equipment	\$7,106,067	\$ <u>32,614</u>	\$ <u>0</u>	\$ 7,138,681
Less accumulated depreciation for: Sewer System and equipment	<u>(3,211,390)</u>	\$ <u>(176,424)</u>	\$ <u>0</u>	<u>(3,387,814)</u>
Business-type activity capital assets, net	<u>\$3,894,677</u>			<u>\$ 4,133,697</u>

City of Beggs
Notes to the Financial Statements
June 30, 2024

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

Employee Pension Plans

The City participates in two pension plans.

1. Oklahoma Firefighter's Pension and Retirement Plans

The City participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

*Eligibility to Participate	All full-time or voluntary Firefighters of a participating municipality hired before age 45.
*Authority establishing contribution obligations and benefit provisions	State Statute
*Plan members' contribution rate	8% of covered payroll
*City's contribution rate	13% of covered payroll/\$60 per volunteer
*Period required to vest	10 years
*Benefits and eligibility for for distribution (full time)	20 years credited service, 2 1/2 % of final average salary multiplied by number of years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
*Benefits and eligibility for for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service with a maximum of 30 years considered.
*Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.

2. Savings Incentive Match Plan – for employees under the Internal Revenue Code of 1986 to be effective August 1, 2001. Employees may contribute any amount of compensation. The City matches the employee contributions up to 3%. Employees are vested upon entering the plan. The employee may transfer contributions to another trustee or custodian by notifying the trustee (American Funds Service Company). Benefits from the Plan depend on the amount of contributions and earnings on the contributions. During the year ended June 30, 2024 the City contributed \$7,153.

City of Beggs
Notes to the Financial Statements
June 30, 2024

NOTE 4: LONG TERM DEBT

OTHER LONG-TERM DEBT

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2024, the City incurred no such indebtedness.

Operating Leases – City of Beggs:

Lease #1 – Kubota Skidsteer operating lease agreement entered into August 24, 2021 in the total amount of \$69,995.
Lease #2 – Pumper Truck operating lease agreement entered into June 18, 2020 in the total amount of \$324,800.
Lease #3 – Ladder Fire Truck operating lease agreement entered into June 18, 2020 in the total amount of \$124,800.
Lease #4 – 2024 Freightliner M-102 operating lease agreement entered into May 13, 2024 in the total amount of \$391,610

LONG TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable and capitalized lease obligations.

Long term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payments of principal and interest are reported as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

City of Beggs
Notes to the Financial Statements
June 30, 2024

NOTE 4: LONG TERM DEBT

Business-Type Activities

As of June 30, 2024, the long-term debt payable from proprietary fund resources consisted of the following:

The Authority has issued and outstanding its Clean Water SRF Promissory Note to Oklahoma Water Resources Board, Series 2008 in the original amount of \$4,220,000. The payments beginning September 15, 2012, continuing for 20 years. The note incurs interest at fixed rate of 3.22%. The Authority has drawn down \$4,204,129 as of June 30, 2024.

The following is a summary of changes in long-term debt for the year ended June 30, 2024:

	Balance June 30, 2023	Proceeds	Payments	Balance June 30, 2024	Amount Due Within One Year
Business-Type Activities:					
Notes Payable	\$2,022,000	\$ 0	\$ 263,000	\$1,759,000	\$ 217,375

The future annual principal payments are as follows:

2025	\$ 217,375
2026	\$ 223,896
2027	\$ 246,419
2028	\$ 271,060
2029	\$ 298,166
Thereafter	\$ 502,084

SUBSEQUENT EVENTS

As of November 21, 2024 - there were no subsequent events to disclose.

COMMITMENTS AND CONTINGENCIES

As of November 21, 2024 – there were no additional commitments and contingencies.

City of Beggs
Schedule of Findings and Questioned Costs
Prior Year
For the Year Ended June 30, 2024

Audit Findings – Prior Year

Internal Control Over Financial Reporting

2023-1: SAS 115

Criteria – A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We believe that the following deficiencies constitute material weaknesses:

We, as auditor, were required to prepare the City financial statements because the City does not have adequate resources or resources with the knowledge required to prepare the City’s financial statements in accordance with generally accepted accounting principles. Additionally, we, as auditor, was required to make year-end adjustments including: accrual for notes payable during the current year because the City doesn’t have adequate resources or resources with the knowledge required to propose and book the City’s financial transactions that are not recurring in nature. These entries are necessary, however, to be in accordance with generally accepted accounting principles.

Condition – we, as auditor, were required to prepare the City financial statements because the City does not have adequate resources or resources with the knowledge required to prepare the City’s financial statements in accordance with generally accepted accounting principles. Additionally, we, as auditors, were required to make year-end adjustments including: accrual for notes payable during the current year because the City doesn’t have adequate resources or resources with the knowledge required to propose and book the City’s financial transactions that are not recurring in nature. These entries are necessary, however, to be in accordance with generally accepted accounting principles.

Cause – The above procedures were required for the financial statements to be presented in accordance with generally accepted accounting principles.

Effect – Net assets were increased/decreased as a result of making the necessary adjustments.

Recommendation – Management should continuously monitor the possibilities of outsourcing the procedures necessary to make the necessary adjustments to present the financial statements in accordance with generally accepted accounting principles.

Views of Responsible officials and planned corrective action – Management will monitor the possibilities of outsourcing the procedures necessary to make the necessary adjustments to present the financial statements in accordance with generally accepted accounting principles.

C. Questioned Costs

NONE

City of Beggs
Schedule of Findings and Questioned Costs - Current Year
For the Year Ended June 30, 2024

Audit Findings – Current Year

Internal Control Over Financial Reporting

2024-1: SAS 115

Criteria – A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We believe that the following deficiencies constitute material weaknesses:

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Cause – The above procedures were required for the financial statements to be presented in accordance with generally accepted accounting principles.

Effect – Net assets were increased/decreased as a result of making the necessary adjustments.

Recommendation – Management should continuously monitor the possibilities of outsourcing the procedures necessary to make the necessary adjustments to present the financial statements in accordance with generally accepted accounting principles.

Views of Responsible officials and planned corrective action – Management will monitor the possibilities of outsourcing the procedures necessary to make the necessary adjustments to present the financial statements in accordance with generally accepted accounting principles.

C. Questioned Costs

NONE