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# **City of Davis, Oklahoma**

Financial Statements

Year-End: June 30, 2022

City of Davis  
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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Davis, Oklahoma

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davis, Oklahoma (the "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, as of June 30, 2022, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### *Basis for Opinions*

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

#### *Emphasis of Matter—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.

#### *Responsibilities of Management for the Financial Statements*

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

HSPG & ASSOCIATES, PC

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

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

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

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

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

### ***Other Matters***

#### ***Supplemental Information***

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

*Other information*

Management is responsible for the other information included in the annual report. The other information comprises the 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 February 7, 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 the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*HSPG & Associates, P.C.*

February 7, 2023

CITY OF DAVIS, Oklahoma  
Government-Wide Statement of Assets, Liabilities and Net Position – Modified Cash Basis  
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalent	\$ 2,488,787	\$ 7,469,984	\$ 9,958,771
Restricted Cash and Cash Equivalent	631,959	322,757	954,716
Total Current Assets	<u>3,120,746</u>	<u>7,792,741</u>	<u>10,913,487</u>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Land and Construction in Progress	106,768	1,490,285	1,597,053
Other Capital Assets, Net of Depreciation	4,239,132	13,519,192	17,758,324
Total Noncurrent Assets	<u>4,345,900</u>	<u>15,009,477</u>	<u>19,355,377</u>
<b>Total Assets</b>	<u>7,466,646</u>	<u>22,802,218</u>	<u>30,268,864</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Sales Tax Payable	-	71,765	71,765
Refundable Meter Deposits	-	116,883	116,883
Notes Payable - Current	-	233,000	233,000
Total Current Liabilities	<u>-</u>	<u>421,648</u>	<u>421,648</u>
<b>Noncurrent Liabilities</b>			
Notes Payable	-	7,130,549	7,130,549
Total Noncurrent Liabilities	<u>-</u>	<u>7,130,549</u>	<u>7,130,549</u>
<b>Total Liabilities</b>	<u>-</u>	<u>7,552,197</u>	<u>7,552,197</u>
<b>Net Position</b>			
Invested in Capital Assets	4,345,900	7,645,928	11,991,828
Restricted			
Capital Improvements	132,566	-	132,566
Streets	1,303,099	-	1,303,099
Public Safety	281	-	281
Grant Funds	257,974	-	257,974
Cemetery	2,227	-	2,227
Unrestricted	1,424,599	7,604,093	9,028,692
<b>Total Net Position</b>	<u>\$ 7,466,646</u>	<u>\$ 15,250,021</u>	<u>\$ 22,716,667</u>

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma  
Government-Wide Statement of Revenues, Expenses and Changes in Net Position  
Modified Cash Basis  
For the Year Ended June 30, 2022

	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Business-Type Activities	Total
<i>Functions/Programs</i>							
Primary Government							
Governmental Activities							
General Government	\$ 727,105	\$ 130,748	\$ -	\$ 255,079	\$ (341,278)	\$ -	\$ (341,278)
Highways and Streets	652,905	-	-	-	(652,905)	-	(652,905)
Public Safety	1,798,421	118,473	14,513	150,000	(1,515,435)	-	(1,515,435)
Culture and Recreation	112,924	-	17,465	-	(95,459)	-	(95,459)
Cemetery / Parks	139,647	20,875	250	-	(118,522)	-	(118,522)
Total Governmental Activities	<u>3,431,002</u>	<u>270,096</u>	<u>32,228</u>	<u>405,079</u>	<u>(2,723,599)</u>	<u>-</u>	<u>(2,723,599)</u>
Business-Type Activities							
General Government	31,524	-	-	-	-	(31,524)	(31,524)
Water	908,518	944,246	-	-	-	35,728	35,728
Sewer	378,793	224,587	-	-	-	(154,206)	(154,206)
Garbage	429,693	509,307	-	-	-	79,614	79,614
Park Admission	3,377,297	6,725,058	-	-	-	3,347,761	3,347,761
Park Retail Sales	689,766	1,132,048	-	-	-	442,282	442,282
Interest Expense	236,192	-	-	-	-	(236,192)	(236,192)
Total Business Type Activities	<u>6,051,783</u>	<u>9,535,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,483,463</u>	<u>3,483,463</u>
Total Primary Government	<u>\$ 9,482,785</u>	<u>\$ 9,805,342</u>	<u>\$ 32,228</u>	<u>\$ 405,079</u>	<u>\$ (2,723,599)</u>	<u>\$ 3,483,463</u>	<u>\$ 759,864</u>
General Revenues							
Taxes					1,989,533	-	1,989,533
Interest					6,349	36,667	43,016
Rent					-	6,440	6,440
Loss on Disposal of Assets					27,725	17,491	45,216
Transfers					2,110,692	(2,110,692)	-
Total General Revenues, Special Items and Transfers					<u>4,134,299</u>	<u>(2,050,094)</u>	<u>2,084,205</u>
Change in Net Position					1,410,700	1,433,369	2,844,069
Net Position - Beginning					6,055,946	13,816,652	19,872,598
Net Position - Ending					<u>\$ 7,466,646</u>	<u>\$ 15,250,021</u>	<u>\$ 22,716,667</u>

The notes to the financial statements are an integral part of this statement



CITY OF DAVIS, Oklahoma  
Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis  
Governmental Funds  
June 30, 2022

	<u>General Fund</u>	<u>Limited Purpose Sales Tax Fund</u>	<u>Street Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets					
Cash	\$ 386,435	\$ 793,238	\$ 1,309,674	\$ 631,399	\$ 3,120,746
Total Assets	<u>\$ 386,435</u>	<u>\$ 793,238</u>	<u>\$ 1,309,674</u>	<u>\$ 631,399</u>	<u>\$ 3,120,746</u>
Fund Balances					
Restricted	281	80,780	1,303,099	311,987	1,696,147
Committed	-	677,453	-	-	677,453
Assigned	142,241	35,005	6,575	319,412	503,233
Unassigned	243,913	-	-	-	243,913
Total Fund Balances	<u>386,435</u>	<u>793,238</u>	<u>1,309,674</u>	<u>631,399</u>	<u>3,120,746</u>
Total Liabilities and Fund Balances	<u>\$ 386,435</u>	<u>\$ 793,238</u>	<u>\$ 1,309,674</u>	<u>\$ 631,399</u>	

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

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the fund.

4,345,900

Net position of governmental activities.

\$ 7,466,646

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma  
Statement of Revenues, Expenditures and  
Changes in Fund Balances – Modified Cash Basis – Governmental Funds  
For the Year Ended June 30, 2022

	General Fund	Limited Purpose Sales Tax Fund	Street Maintenance Fund	Other Governmental Funds	Total
<b>REVENUE</b>					
Taxes	\$ 1,383,684	\$ 572,437	\$ -	\$ 33,412	\$ 1,989,533
Charges for Services	52,461	-	-	2,609	55,070
Interest	819	3,409	2,121	-	6,349
License and Permits	7,601	-	-	-	7,601
Fines	117,343	-	-	-	117,343
Grants	-	-	-	427,332	427,332
Miscellaneous	127,084	-	(1)	699	127,782
Total Revenue	<u>1,688,992</u>	<u>575,846</u>	<u>2,120</u>	<u>464,052</u>	<u>2,731,010</u>
<b>EXPENDITURES</b>					
Current					
General Government	681,179	-	-	-	681,179
Highways and Streets	424,657	-	45,660	-	470,317
Public Safety	1,604,848	-	-	9,272	1,614,120
Cemetery / Parks	139,524	-	-	12,185	151,709
Culture and Recreation	85,336	-	-	12,514	97,850
Capital Outlay					
General Government	18,484	-	-	-	18,484
Cemetery / Parks	-	-	-	52,880	52,880
Culture and Recreation	7,050	-	-	-	7,050
Water and Sewer	-	75,591	-	-	75,591
Public Safety	107,218	-	-	368,809	476,027
Highways and Streets	11,116	-	511,870	-	522,986
Total Expenditures	<u>3,079,412</u>	<u>75,591</u>	<u>557,530</u>	<u>455,660</u>	<u>4,168,193</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,390,420)</u>	<u>500,255</u>	<u>(555,410)</u>	<u>8,392</u>	<u>(1,437,183)</u>
Other Financing Sources					
Transfers In	1,797,684	100,000	889,798	240,000	3,027,482
Transfers Out	(452,091)	(555,320)	(1,504)	92,125	(916,790)
Total Other Financing Sources	<u>1,345,593</u>	<u>(455,320)</u>	<u>888,294</u>	<u>332,125</u>	<u>2,110,692</u>
Net Change in Fund Balances	(44,827)	44,935	332,884	340,517	673,509
Fund Balances - Beginning	<u>431,262</u>	<u>748,303</u>	<u>976,790</u>	<u>290,882</u>	<u>2,447,237</u>
Fund Balances - Ending	<u>\$ 386,435</u>	<u>\$ 793,238</u>	<u>\$ 1,309,674</u>	<u>\$ 631,399</u>	<u>\$ 3,120,746</u>

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Modified Cash Basis – Governmental Funds  
to the Statement of Revenue, Expenses and Changes in Net Position – Modified Cash Basis  
For the Year Ended June 30, 2022

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

Net change in fund balances - total governmental funds	\$ 673,509
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	1,153,018
Depreciation Expense	<u>(415,827)</u>

Change in net position of governmental activities.	<u><u>\$ 1,410,700</u></u>
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The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma  
Statement of Assets, Liabilities, Net Position – Modified Cash Basis – Proprietary Funds  
June 30, 2022

	Enterprise Funds		
	Davis Municipal Authority	Turner Falls Park	Totals
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalent	\$ 576,564	\$ 6,893,420	\$ 7,469,984
Restricted Cash and Cash Equivalent	322,336	421	322,757
Total Current Assets	<u>898,900</u>	<u>6,893,841</u>	<u>7,792,741</u>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Capital Assets, Not Being Depreciated	473,285	1,017,000	1,490,285
Other Capital Assets, Net of Depreciation	10,194,993	3,324,199	13,519,192
Total Noncurrent Assets	<u>10,668,278</u>	<u>4,341,199</u>	<u>15,009,477</u>
Total Assets	<u>11,567,178</u>	<u>11,235,040</u>	<u>22,802,218</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Sales Tax Payable	-	71,765	71,765
Refundable Meter Deposits	116,883	-	116,883
Notes Payable - Current	233,000	-	233,000
Total Current Liabilities	<u>349,883</u>	<u>71,765</u>	<u>421,648</u>
<b>Noncurrent Liabilities</b>			
Notes Payable	7,130,549	-	7,130,549
Total Noncurrent Liabilities	<u>7,130,549</u>	<u>-</u>	<u>7,130,549</u>
Total Liabilities	<u>7,480,432</u>	<u>71,765</u>	<u>7,552,197</u>
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	3,304,729	4,341,199	7,645,928
Unrestricted	782,017	6,822,076	7,604,093
Total Net Position	<u>\$ 4,086,746</u>	<u>\$ 11,163,275</u>	<u>\$ 15,250,021</u>

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma  
Statement of Revenue, Expenses and Changes in Net Position – Modified Cash Basis – Proprietary  
Funds  
For the Year Ended June 30, 2022

	Enterprise Funds		
	Davis Municipal Authority	Turner Falls Park	Totals
Operating Revenues:			
Water	\$ 944,246	\$ -	\$ 944,246
Sewer	224,587	-	224,587
Garbage	509,307	-	509,307
Park Administration	-	6,725,058	6,725,058
Retail Sales	-	1,132,048	1,132,048
Rent	-	6,440	6,440
Miscellaneous	(3)	3	-
Total Operating Revenue	<u>1,678,137</u>	<u>7,863,549</u>	<u>9,541,686</u>
Operating Expenses:			
General Government	31,524	-	31,524
Sewer	218,329	-	218,329
Garbage	429,693	-	429,693
Water	658,953	-	658,953
Park Department	-	3,044,624	3,044,624
Park Retail Department	-	689,766	689,766
Depreciation	410,029	332,673	742,702
Total Operating Expenses	<u>1,748,528</u>	<u>4,067,063</u>	<u>5,815,591</u>
Operating Income (Loss)	<u>(70,391)</u>	<u>3,796,486</u>	<u>3,726,095</u>
Nonoperating Revenues (Expenses):			
Transfers In	937,418	-	937,418
Transfers Out	(197,850)	(2,850,260)	(3,048,110)
Gain (Loss) on Disposal of Assets	(1,283)	18,774	17,491
Interest Income	713	35,954	36,667
Interest Expense	(236,192)	-	(236,192)
Total Nonoperating Revenues (Expenses)	<u>502,806</u>	<u>(2,795,532)</u>	<u>(2,292,726)</u>
Net Change in Net Position	432,415	1,000,954	1,433,369
Total Net Position - Beginning	<u>3,654,331</u>	<u>10,162,321</u>	<u>13,816,652</u>
Total Net Position - Ending	<u>\$ 4,086,746</u>	<u>\$ 11,163,275</u>	<u>\$ 15,250,021</u>

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma  
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds  
For the Year Ended June 30, 2022

	Enterprise Funds		
	Davis Municipal Authority	Turner Falls Park	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 1,678,137	\$ 7,863,549	\$ 9,541,686
Payments to Employees for Services	(190,459)	(1,218,054)	(1,408,513)
Payments to Vendors for Goods and Services	(1,072,736)	(2,518,521)	(3,591,257)
Net Cash Provided by Operating Activities	<u>414,942</u>	<u>4,126,974</u>	<u>4,541,916</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund Transfers from Other Funds	937,418	-	937,418
Interfund Transfers to Other Funds	(197,850)	(2,850,260)	(3,048,110)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>739,568</u>	<u>(2,850,260)</u>	<u>(2,110,692)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	(486,610)	(707,637)	(1,194,247)
Proceeds from Sale of Capital Assets	950	27,750	28,700
Principal Paid on Capital Debt	(301,773)	-	(301,773)
Interest Paid on Capital Debt	(236,192)	-	(236,192)
Net Cash Used by Capital Financing Activities	<u>(1,023,625)</u>	<u>(679,887)</u>	<u>(509,265)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Income	713	35,954	36,667
Net Cash Provided by Investing Activities	<u>713</u>	<u>35,954</u>	<u>36,667</u>
Net Increase in Cash and Cash Equivalents	131,598	632,781	764,379
Cash and Cash Equivalents, Beginning of Year	767,302	6,261,060	7,028,362
Cash and Cash Equivalents, End of Year	<u>\$ 898,900</u>	<u>\$ 6,893,841</u>	<u>\$ 7,792,741</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income	\$ (70,391)	\$ 3,796,486	\$ 3,726,095
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	410,029	332,673	742,702
Decrease in Refundable Meter Deposits	11,235	-	11,235
Decrease in Due To From	64,069	2,294	66,363
Decrease in Sales Tax Payable	-	(4,479)	(4,479)
Total Adjustments	<u>485,333</u>	<u>330,488</u>	<u>815,821</u>
Net Cash Provided by Operating Activities	<u>\$ 414,942</u>	<u>\$ 4,126,974</u>	<u>\$ 4,541,916</u>

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. The Reporting Entity**

The City of Davis, Oklahoma, (the City) is a charter city operating under a Council-Manager form of government authorized by the charter and Title 11 of the Oklahoma statutes. The governing body of the City is the City Council comprised of five elected members. The appointed City Manager is the administrative head of the City.

The accompanying financial statements present the City of Davis and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. There were no discretely presented component units.

Blended Component Unit

The Davis Municipal Authority (Authority) is a public trust created pursuant to Title 60 of Oklahoma State law. Public trusts, or authorities, have no taxing capability and are generally created to finance services through issuance of revenue bonds or other non-general obligation debt. Public trusts generally retain title to assets which are acquired or constructed with debt or other public trust generated resources. The City, as beneficiary of the public trust, receives title to any residual assets when a public trust is dissolved. The Authority accounts for the utility operations of the City and Turner Falls Park. The City is able to impose its will on the Authority because, by state law, all issuances of debt by a public trust requires a two-thirds approval of the City Council. The Authority is reported as two enterprise funds within the primary government presentation.

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**B. Government-wide and fund financial statements**

*Government-Wide Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) Operating grants and contributions, and taxes and other items not properly included among program revenues are reported instead as *general revenues* 3) Capital grants and contributions.

The government-wide financial statements of the City are prepared on a modified cash basis of accounting. Under this basis, cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenditures at date of payment with the following modifications:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Interfund Payables (due to and due from other funds).
- Sales Tax Payable (collected for transmittal)
- Refundable Customer Deposits

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.



CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**B. Government-wide and fund financial statements (continued)**

*Fund Financial Statements*

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in each fund-type financial statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The modified cash basis of accounting is used. However, the governmental funds focus on a current financial resources measurement thus capital assets and debt are not recorded.

The City reports the following major governmental funds:

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

Limited Purpose Sales Tax – is a special revenue fund which accounts for voter dedicated sales tax revenues.

Street Maintenance Fund – is a special revenue fund which accounts for a \$3 fee collected by Turner Falls for street maintenance.

Non-major Governmental Funds are the Grant Fund, Cemetery Care, Lodging Tax Fund and Debt Service funds.

The City reports the Davis Municipal Authority (DMA) and Turner Falls Park (TF) as major proprietary funds. DMA accounts for the activities related to the provision of water, sewer and sanitation services to businesses and residents. It operates the water and sewer treatment plants, water distribution system, sewer collections systems and pump stations. TF accounts for the activities of the park including admissions, cabin rentals, and retail sales from the shops.

Proprietary funds are accounted for using the modified cash basis of accounting modified as follows:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Interfund Payables (due to and due from other funds)
- Sales Tax Payable (collected for transmittal)
- Refundable Customer Deposits

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**B. Government-wide and fund financial statements (continued)**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Assets, liabilities, and net position or equity**

**1. *Deposits and investments***

For purposes of the statement of cash flows, the City considers short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents

Oklahoma Statutes authorize the City to invest in direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposits of financial institutions located in the state of Oklahoma or fully-insured certificates of deposits of financial institutions located outside the state; savings accounts, and county, municipal or school district general obligation debt.

The City does not have a specific policy limiting the concentration amount that may be invested with one issuer. The City has no formal policy on managing credit risk. Public trusts created under Oklahoma Statutes Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

**2. *Interfund transactions***

Interfund receivables and payables arise from interfund transactions and are recorded in the period transacted. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**3. *Restricted assets***

Certain proceeds of the Authority's notes payable, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable loan covenants.

Customer utility deposits and debt service cash are reported as restricted cash.

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**C. Assets, liabilities, and net position or equity (continued)**

**4. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-40
Infrastructure	40
System infrastructure	40
Vehicles	2-10
Machinery and equipment	2-10

**5. Governmental fund balances**

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City did not have any nonspendable resources as of June 30, 2022.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has restricted resources by state law and from grants as of June 30, 2022.

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**C. Assets, liabilities, and net position or equity (continued)**

**5. Governmental fund balances (continued)**

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal ordinance or resolution of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the council delegating this responsibility to the manager through the budgetary process. The City has assigned resources of interest in special revenue funds as of June 30, 2022.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources, and the Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**6. Government-wide Net Position**

Government-wide net position is divided into three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consist of net positions that are restricted by creditors, by the state enabling legislation, by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net positions are reported in this category.

The City would typically use Restricted net positions first, followed by Unrestricted net positions, as appropriate opportunities arise, but reserves the right to selectively spend Restricted resources first to defer the use of these other classified net positions.

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**C. Assets, liabilities, and net position or equity (continued)**

As of June 30, 2022, fund balances are composed of the following:

	General Fund	Limited Purpose Sales Tax Fund	Street Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Restricted					
Cemetery	\$ -	\$ -	\$ -	\$ 2,227	\$ 2,227
Grants	-	-	-	257,974	257,974
Streets	-	-	1,303,099	-	1,303,099
Public Safety	281	-	-	-	281
Capital Improvements	-	80,780	-	51,786	132,566
Committed					
Capital Improvements	-	677,453	-	-	677,453
Assigned					
Contingency	142,241	-	-	-	142,241
Streets	-	-	6,575	-	6,575
Grants	-	-	-	319,412	319,412
Capital Improvements	-	35,005	-	-	35,005
Unassigned	243,913	-	-	-	243,913
	<u>\$ 386,435</u>	<u>\$ 793,238</u>	<u>\$ 1,309,674</u>	<u>\$ 631,399</u>	<u>\$ 3,120,746</u>

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**A. Budgetary information**

The city manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personnel services, materials and supplies, other services and charges, capital outlay, debt services and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS

**A. Deposits**

Deposit Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City follows state statutes regarding custodial credit risk which requires collateral for all deposits in excess of Federal Deposit Insurance. At June 30, 2022, the City had a balance of \$10,913,487 which was fully collateralized.

Investment Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have an investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable.

Investment Credit Risk: Risks that an issuer or other counterparty to an investment will not fulfill its obligations are referred to as investment credit risk. The City has no formal policy limiting investments based on credit rating but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by national rating agencies at year end. Credit rating for the City's money market funds were obtained from S&P.

As of June 30, 2022, the City had the following investments:

<u>Type of Deposits and Investments</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>		
Demand Deposits		\$ 9,152,191
Time Deposits - Maturities less than 1 year		1,596,200
OMAG Escrow		1,084
Money Market Funds	AAA	<u>164,012</u>
<b>Total Deposits</b>		<u><u>10,913,487</u></u>
 <b>Reconciliation to Statement of Net Position:</b>		
Cash and Cash Equivalents		\$ 10,913,487
		<u><u>\$ 10,913,487</u></u>

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS - (continued)

**B. Capital assets**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b><i>Government Activities:</i></b>					
<b><i>Capital assets, not being depreciated</i></b>					
Land	\$ 73,200	\$ -	\$ -	\$ -	\$ 73,200
Construction in progress	40,200	33,568	-	(40,200)	33,568
Total capital assets, not being depreciated	<u>113,400</u>	<u>33,568</u>	<u>-</u>	<u>(40,200)</u>	<u>106,768</u>
<b><i>Capital assets, being depreciated</i></b>					
Land Improvements	141,401	-	-	-	141,401
Buildings	1,339,221	-	-	-	1,339,221
Vehicles and Equipment	2,423,707	512,678	183,840	-	2,752,545
Infrastructure	2,447,790	606,772	-	40,200	3,094,762
Total capital assets, being depreciated	<u>6,352,119</u>	<u>1,119,450</u>	<u>183,840</u>	<u>40,200</u>	<u>7,327,929</u>
Less Accumulated Depreciation	<u>2,856,810</u>	<u>415,827</u>	<u>183,840</u>	<u>-</u>	<u>3,088,797</u>
Total capital assets, being depreciated, net	<u>3,495,309</u>	<u>703,623</u>	<u>-</u>	<u>40,200</u>	<u>4,239,132</u>
Governmental activities capital assets, net	<u>\$ 3,608,709</u>	<u>\$ 737,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,345,900</u>
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b><i>Business-type Activities</i></b>					
<b><i>Capital assets, not being depreciated</i></b>					
Land	\$ 1,017,000	\$ -	\$ -	\$ -	\$ 1,017,000
Construction in Progress	-	473,285	-	-	473,285
Total capital assets, not being depreciated	<u>1,017,000</u>	<u>473,285</u>	<u>-</u>	<u>-</u>	<u>1,490,285</u>
<b><i>Capital assets, being depreciated</i></b>					
Buildings	1,060,113	523,180	-	-	1,583,293
Vehicles and Equipment	2,433,565	144,582	91,726	-	2,486,421
Water Plant Infrastructure	8,139,295	11,125	3,999	-	8,146,421
Sewer Plant Infrastructure	5,386,593	-	-	-	5,386,593
Turner Falls Infrastructure	1,834,805	42,075	-	-	1,876,880
Total capital assets, being depreciated	<u>18,854,371</u>	<u>720,962</u>	<u>95,725</u>	<u>-</u>	<u>19,479,608</u>
Less Accumulated Depreciation	<u>5,302,230</u>	<u>742,702</u>	<u>84,516</u>	<u>-</u>	<u>5,960,416</u>
Total capital assets, being depreciated, net	<u>13,552,141</u>	<u>(21,740)</u>	<u>11,209</u>	<u>-</u>	<u>13,519,192</u>
Business activities capital assets, net	<u>14,569,141</u>	<u>451,545</u>	<u>11,209</u>	<u>-</u>	<u>15,009,477</u>
<b>Total Primary Government</b>	<u><b>\$ 18,177,850</b></u>	<u><b>\$ 1,188,736</b></u>	<u><b>\$ 11,209</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 19,355,377</b></u>

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS - (continued)

**B. Capital assets – (continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Government activities:	
General government	\$ 23,701
Public safety	184,301
Culture and recreation	15,074
Cemetery and parks	22,225
Highways and streets	<u>170,526</u>
Total depreciation expense - governmental activities	<u><u>\$ 415,827</u></u>
Business-type activities	
Water	\$ 249,565
Turner Falls	332,673
Sewer	<u>160,464</u>
Total depreciation expense - business-type activities	<u><u>\$ 742,702</u></u>

**C. Interfund receivables, payables, and transfers**

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or to move unrestricted revenue collected to other funds to finance various programs in accordance with budgetary authorizations.

The City had no interfund receivables or payables at June 30, 2022.



CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS - (continued)

**C. Interfund receivables, payables, and transfers - (continued)**

Interfund transfers for the year ended June 30, 2022, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Turner Falls Park	\$ 250,582
	Davis Municipal Authority	
General Fund	Turner Falls Park	197,851
Davis Municipal Authority	Turner Falls Park	382,098
Street Maintenance	Turner Falls Park	889,798
General Fund	Turner Falls Park	1,327,781
	Street Maintenance	
General Fund	Cemetery	1,504
General Fund	General Fund	200
Special Sales Tax	General Fund	100,000
Davis Municipal Authority	Special Sales Tax	555,320
General Fund	General Fund	19,766
Grant Fund	General Fund	240,000
		<u>3,964,900</u>
		<u>\$ 3,964,900</u>

Reconciliation to fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
Government Funds	\$ 3,027,482	\$ (916,790)	\$ 2,110,692
Proprietary Funds	937,418	(3,048,110)	(2,110,692)
	<u>\$ 3,964,900</u>	<u>\$ (3,964,900)</u>	<u>\$ -</u>

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS - (continued)

**D. Long-term liabilities**

Direct Borrowings – Long term commitments payable from net revenues generated by the utility resources or other resources pledged to the City’s business-type activities at June 30, 2022 includes the following:

*Revenue Notes Payable – Direct Borrowing:*

2011 SRF Promissory Note to OWRB, original issue amounts \$9,995,000 dated December 2011 as of the date of closing, issued by Davis Municipal Authority payable in semi-annual installments, interest rate not to exceed 2.72% fixed interest rate plus a one-half percent (1/2%) administration fee, for a term of approximately thirty (30) years. The collateral for the note is a pledge of revenues generated by the water, sewer and garbage systems along with a year-to-year pledge of certain sales tax revenue. In the event of default, the lender has all rights and remedies as allowed by law pursuant to the provisions of the loan agreement, including but not limited to: 1) suit for specific performance of any or all of the covenants of the borrower contained in the loan agreement on in the note; 2) acceleration of the payment of principal and interest on the note; 3) appointment of temporary trustees to take over, operated and maintain the System on a profitable basis and ensure the payment of the principal and interest and administrative fees on the note and any other borrower indebtedness; 4) suit at law or equity to enforce or enjoin the action of inaction of parties under the provisions of the loan agreement.

	\$ 7,363,549
Current Portion	233,000
Non-current Portion	7,130,549
Total Revenue Notes Payable	\$ 7,363,549

**Utility Revenues Pledged**

The City has pledged future water, sewer and garbage customer revenues, net of specified operating expenses, to repay a \$9.995 million promissory note to OWRB issued December 2011. The note is payable from water, sewer and garbage customer net revenues and future sales tax revenue (discussed below) and is payable through 2043. The total principal and interest remaining to be paid on the note is \$10,359,619. Principal and interest paid for the current year and total customer net revenues were \$468,725 and \$339,638, respectively.

**Sales Tax Revenues Pledged**

The City has pledged future sales tax revenues to repay the OWRB \$9.995 million 2011 promissory note. The notes are payable from future sales tax revenue. The total principal and interest remaining to be paid on the note is \$10,359,619, payable through 2043. For the current year, principal and interest paid and total sales tax revenues were \$468,725 and \$495,255, respectively.

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS - (continued)

**D. Long-term liabilities (continued)**

A summary of long-term liability activity for the year ended June 30, 2022, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government					
Business-Type Activities					
Promissory Note	\$ 68,481	\$ -	\$ 68,481	\$ -	\$ -
Revenue Notes Payable - Direct Borrowing	<u>7,596,841</u>	<u>-</u>	<u>233,292</u>	<u>7,363,549</u>	<u>233,000</u>
	<u>\$ 7,665,322</u>	<u>\$ -</u>	<u>\$ 301,773</u>	<u>\$ 7,363,549</u>	<u>\$ 233,000</u>

As of June 30, 2022, annual debt service requirements of the business-type activities to maturity are as follows:

<u>Business-Type - Direct Borrowings</u>		
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	233,000	235,725
2024	240,563	228,162
2025	248,371	220,354
2026	256,433	212,292
2027	264,757	203,968
2028-2032	1,458,407	885,218
2033-2037	1,710,973	632,652
2038-2042	2,007,279	336,346
2043-2047	<u>943,766</u>	<u>41,353</u>
	<u>\$ 7,363,549</u>	<u>\$ 2,996,070</u>

Revenues generated from the Authority will be used first to meet debt service; second to pay operation and maintenance expenses of the system and third to replenish the minimum required balance of the reserve fund requirement. The Authority at all times will maintain schedules of rates and charges for services sufficient to provide funds which together with other revenues pledged will provide net revenues available for debt service equal to at least 125% of the maximum annual amount required for debt service. The revenues are pledged as collateral on the OWRB note.

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS - (continued)

**D. Long-term liabilities (continued)**

The Authority was in compliance with the debt service requirements at June 30, 2022:

Operating Revenues		
Water	\$	944,246
Sewer		224,587
Garbage		509,307
Miscellaneous		<u>(3)</u>
Total Operating Revenues		1,678,137
Operating Expenses		
General Government		31,524
Sewer		218,329
Garbage		429,693
Water		658,953
Depreciation		<u>410,029</u>
Total Operating Expenses		<u>1,748,528</u>
Operating Income		(70,391)
Add:		
Depreciation		410,029
Interest Income		713
Loss on Sale of Assets		(1,283)
Dedicated Sales Tax Transfer		<u>495,255</u>
Net Revenues Available for Debt Service	\$	<u>834,323</u>
Debt Service Requirement	\$	<u>468,725</u>
Coverage Ratio		<u>178%</u>
Required Coverage Ratio		<u>125%</u>

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS - (continued)

**E. Restricted Assets**

Restricted cash as of June 30, 2022 is as follows:

Funds restricted for other purposes	
Meter Deposits	\$ 158,221
OMAG Reserve Account	1,084
OWRB Trust Account	164,012
Grants	577,386
Infrastructure	51,786
Cemetery Care	2,227
	\$ 954,716

**F. Sales Tax**

The City levies a \$.03 local sales tax on each dollar of taxable sales within the City. Two cents is recorded in the General fund. One cent is voter restricted for water and sewer system capital expenditures and is recorded in the Limited Purposes Sales Tax fund.

**G. Pension plans**

**Municipal Retirement Plan**

Plan Description: The City of Davis and its employees participate in a cost sharing, multiple employer defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund (OMRF). All regular full-time employees, except those covered under another retirement system are eligible after ninety days of service. Employees are vested at 10 years. OMRF provides retirement, disability and death benefits to plan members and their beneficiaries. OMRF is authorized to establish and amend all plan provisions.

The OMRF issues a publicly available financial report that includes financial statements and the required supplementary information that can be obtained by requesting a copy at OMRF, 100 N. Broadway, Oklahoma City, OK 73102

Funding Policy: The contribution requirements of The City and its employees are established and may be amended by the OMRF board. Employees are required to contribute 4.50 % of their annual covered salary after tax. The City is required to contribute at an actuarially determined rate; the rate at June 30, 2022 is 7.65 % of covered payroll.

Annual Pension Cost: The City of Davis' annual pension cost for 2022, 2021 and 2020 was \$101,626, \$84,570 and \$94,454, respectively.

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS - (continued)

**G. Pension plans (continued)**

City Manager Retirement Plan

The City has provided a defined contribution plan and trust known as the City of Davis Plan (the “Plan”) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF) available only to the city manager. OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by OMRF and plan assets are supervised by OMRF. The city manager is not required to contribute to the Plan.

The City Council determines the City’s contribution rate each year. City contributions for the city manager begin vesting immediately. The authority to amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2022, employer contributions were \$12,681.

Oklahoma Police Pension and Retirement System

Police department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Police Pension and Retirement System, which is a cost-sharing multiple-employer public employee retirement system. Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements. A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equals 2.5% of the average compensation of the highest 30 consecutive months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2022. Participating members are required to contribute 8%.

Trend Information:

Year		
Ending	Actual	Required
<u>June 30,</u>	<u>Contributions</u>	<u>Contributions</u>
2022	\$ 53,511	\$ 53,511
2021	\$ 44,623	\$ 44,623
2020	\$ 46,171	\$ 46,171

Additional information can be obtained by writing Oklahoma Police Pension and Retirement Board, 1001 N.W. 63rd, Suite 305, Oklahoma City, OK, 73116.

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS - (continued)

**G. Pension plans** - (continued)

Oklahoma State Firefighter's Pension System (FPRS)

Pursuant to the requirements of Title 11, section 22-102, the City participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 9% to the plan, while the City is required by state law to contribute 14% per year per firefighter to the statewide plan. Volunteer firefighters are not required to contribute, but the City is required to contribute \$60 per volunteer per year. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The City's obligation to fund the plan extends only to making the statutorily required contributions.

FPRS provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by Oklahoma Statute. Retirement provisions are as follows:

Normal Retirement

Hired Prior to November 1, 2013

Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 50% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month.

Hired After November 1, 2013

Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. Also participants must be age 50 to begin receiving benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.

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 year of service, with a maximum of 30 years of service. For disabilities not in the line of duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60 month salary as opposed to 30 months. For volunteer firefighters, the not in the line of duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service, with a maximum of 30 years.

CITY OF DAVIS, Oklahoma  
Notes to Financial Statements  
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS - (continued)

**G. Pension plans** - (continued)

Oklahoma Firefighter’s Pension Fund – (continued)

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.

Trend Information:

Year		
Ending	Actual	Required
<u>June 30,</u>	<u>Contributions</u>	<u>Contributions</u>
2022	\$ 14,191	\$ 14,191
2021	\$ 1,500	\$ 1,500
2020	\$ 1,380	\$ 1,380

Additional information can be obtained by writing Oklahoma Firefighters Pension and Retirement Board, 4545 N. Lincoln Blvd., Suite 165, Oklahoma City, OK, 73105.

**H. Contingencies and Risk Management**

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The final acceptance of the audits of these programs including the year ended June 30, 2022, has not been given. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, the City expects such amounts, if any, to be immaterial.

The City is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

**General Liability, Physical Property and Automobile Liability/Physical Damage** - General liability, physical property and automobile liability/physical damage are insured through the Oklahoma Municipal Assurance Group (OMAG) risk entity pool. Deductibles range from \$0 to \$5,000. Risk of loss retained is limited to the excess of insurance liability coverage limits set by OMAG.

**Workers’ Compensation** - Workers’ compensation is insured through CompSource Oklahoma. Risk of loss retained is limited to the excess of insurance liability coverage limits set by CompSource Oklahoma.



CITY OF DAVIS, Oklahoma  
 Supplementary Schedule  
 Schedule of Grant Activity – Cash Basis  
 For the Year Ended June 30, 2022

	<u>Grant Receipts</u>
<b>Southern Oklahoma Development Association</b>	
CENA	\$ 17,240
REAP	2,178
<b>Oklahoma Department of Commerce</b>	
CDBG	150,000
<b>Keep Oklahoma Beautiful</b>	250
<b>Oklahoma Department of Agriculture</b>	
Fire Grant	<u>\$ 4,763</u>
Total of All Awards	<u>\$ 174,431</u>
ARPA Funding	<u>\$ 252,901</u>

CITY OF DAVIS, Oklahoma  
Unaudited Budgetary Information  
June 30, 2022

The city manager submits an annual budget to the City Council in accordance with the City Incorporation and the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personnel services, materials and supplies, other services and charges, capital outlay, debt services and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements. For budgetary comparison purposes, the City considers all encumbrances to lapse at year end; therefore, encumbrances are not considered expenditures for budgetary comparison purposes. However, the City will re-appropriate these lapsed encumbrances in the subsequent year budget.

CITY OF DAVIS, Oklahoma  
 Supplementary Schedule  
 Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis  
 Budget to Actual  
 General Fund  
 For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Taxes	\$ 1,829,000	\$ 1,829,000	\$ 1,383,684	\$ (445,316)
Charges for Services	83,100	83,100	52,461	(30,639)
Fines	300	300	117,343	117,043
License and Permits	25,700	25,700	7,601	(18,099)
Interest	-	-	583	583
Intergovernmental	-	-	9,750	9,750
Miscellaneous	53,000	53,000	117,333	64,333
Total Revenue	1,991,100	1,991,100	1,688,755	(302,345)
<b>EXPENDITURES</b>				
Current				
General Government	853,368	790,429	699,663	90,766
Highways and Streets	364,000	451,319	435,773	15,546
Public Safety	1,784,000	1,778,420	1,699,998	78,422
Culture and Recreation	135,721	107,434	92,386	15,048
Park & Cemetery	215,200	172,539	139,524	33,015
Total Expenditures	3,352,289	3,300,141	3,067,344	232,797
Excess (Deficiency) of Revenues Over Expenditures	(1,361,189)	(1,309,041)	(1,378,589)	(69,548)
Other Financing Sources (Uses)				
Transfers In	1,857,889	1,857,889	1,547,102	(310,787)
Transfers Out	(538,700)	(538,700)	-	538,700
Total Other Financing Sources (Uses)	1,319,189	1,319,189	1,547,102	227,913
Net Change in Fund Balances	(42,000)	10,148	168,513	158,365
Fund Balance - Beginning	60,000	60,000	75,400	15,400
Fund Balance - Ending	\$ 18,000	\$ 70,148	\$ 243,913	\$ 173,765
Funds combined for financial reporting			142,522	
Fund Balance, Ending per Statement of Revenues, Expenditures, and Changes in Fund Balances			\$ 386,435	

CITY OF DAVIS, Oklahoma  
 Supplementary Schedule  
 Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis  
 Budget to Actual  
 Limited Purpose Sales Tax Fund  
 For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Taxes	\$ 538,000	\$ 538,000	\$ 572,437	\$ 34,437
Interest	3,000	3,000	3,409	409
Total Revenue	<u>541,000</u>	<u>541,000</u>	<u>575,846</u>	<u>34,846</u>
<b>EXPENDITURES</b>				
Current				
Highways and Streets	-	88,930	75,591	13,339
Total Expenditures	<u>-</u>	<u>88,930</u>	<u>75,591</u>	<u>13,339</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>541,000</u>	<u>452,070</u>	<u>500,255</u>	<u>48,185</u>
Other Financing Sources (Uses)				
Transfers In	96,000	96,000	100,000	4,000
Transfers Out	(700,000)	(775,200)	(555,320)	219,880
Total Other Financing Sources (Uses)	<u>(604,000)</u>	<u>(679,200)</u>	<u>(455,320)</u>	<u>223,880</u>
Net Change in Fund Balances	(63,000)	(227,130)	44,935	272,065
Fund Balance - Beginning	700,000	700,000	748,303	48,303
Fund Balance - Ending	<u>\$ 637,000</u>	<u>\$ 472,870</u>	<u>\$ 793,238</u>	<u>\$ 320,368</u>

CITY OF DAVIS, Oklahoma  
 Supplementary Schedule  
 Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis  
 Budget to Actual  
 Street Maintenance Fund  
 For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Interest	-	-	2,121	2,121
Intergovernmental	-	20,000	-	(20,000)
Miscellaneous	-	-	(1)	(1)
Total Revenue	<u>-</u>	<u>20,000</u>	<u>2,120</u>	<u>(17,880)</u>
<b>EXPENDITURES</b>				
Current				
Highways and Streets	1,425,000	1,845,000	557,530	1,287,470
Total Expenditures	<u>1,425,000</u>	<u>1,845,000</u>	<u>557,530</u>	<u>1,287,470</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,425,000)</u>	<u>(1,825,000)</u>	<u>(555,410)</u>	<u>1,269,590</u>
Other Financing Sources (Uses)				
Transfers In	750,000	750,000	889,798	139,798
Transfers Out	-	-	(1,504)	(1,504)
Total Other Financing Sources (Uses)	<u>750,000</u>	<u>750,000</u>	<u>888,294</u>	<u>138,294</u>
Net Change in Fund Balances	(675,000)	(1,075,000)	332,884	1,407,884
Fund Balance - Beginning	1,000,000	1,000,000	976,790	(23,210)
Fund Balance - Ending	<u>\$ 325,000</u>	<u>\$ (75,000)</u>	<u>\$ 1,309,674</u>	<u>\$ 1,384,674</u>

CITY OF DAVIS, Oklahoma  
 Supplementary Schedules  
 Combining Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis  
 Nonmajor Governmental Funds  
 June 30, 2022

	<u>Cemetery Care</u>	<u>Grant Fund</u>	<u>Lodging Tax</u>	<u>Total Special Revenue Funds</u>
Assets				
Cash	<u>2,227</u>	<u>577,386</u>	<u>51,786</u>	<u>\$ 631,399</u>
Total Assets	<u>\$ 2,227</u>	<u>\$ 577,386</u>	<u>\$ 51,786</u>	<u>\$ 631,399</u>
Fund Balances				
Restricted	2,227	257,974	51,786	311,987
Committed	-	-	-	-
Assigned	-	319,412	-	319,412
Unassigned	-	-	-	-
Total Fund Balances	<u>2,227</u>	<u>577,386</u>	<u>51,786</u>	<u>631,399</u>
Total Liabilities and Fund Balances	<u>\$ 2,227</u>	<u>\$ 577,386</u>	<u>\$ 51,786</u>	<u>\$ 631,399</u>

CITY OF DAVIS, Oklahoma  
 Supplementary Schedules  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2022

	<u>Cemetery Care</u>	<u>Grant Fund</u>	<u>Lodging Tax</u>	<u>Total Special Revenue Funds</u>
<b>REVENUE</b>				
Charges for Services	\$ 2,609	\$ -	\$ -	\$ 2,609
Taxes	-	-	33,412	33,412
Grants	-	427,332	-	427,332
Miscellaneous	700	(1)	-	699
Total Revenue	<u>3,309</u>	<u>427,331</u>	<u>33,412</u>	<u>464,052</u>
<b>EXPENDITURES</b>				
Current				
Cemetery / Parks	12,062	123	-	12,185
Public Safety	-	9,272	-	9,272
Culture and Recreation	-	12,514	-	12,514
Capital Outlay				
Cemetery / Parks	-	52,880	-	52,880
Public Safety	-	368,809	-	368,809
Total Expenditures	<u>12,062</u>	<u>443,598</u>	<u>-</u>	<u>455,660</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,753)</u>	<u>(16,267)</u>	<u>33,412</u>	<u>8,392</u>
Other Financing Sources				
Transfers In	-	240,000	-	240,000
Transfers Out	(200)	92,325	-	92,125
Total Other Financing Sources	<u>(200)</u>	<u>332,325</u>	<u>-</u>	<u>332,125</u>
Net Change in Fund Balances	(8,953)	316,058	33,412	340,517
Fund Balances - Beginning	11,180	261,328	18,374	290,882
Fund Balances - Ending	<u>\$ 2,227</u>	<u>\$ 577,386</u>	<u>\$ 51,786</u>	<u>\$ 631,399</u>

CITY OF DAVIS, Oklahoma  
 Supplementary Schedules  
 Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis  
 General Fund  
 June 30, 2022

	<u>General Fund</u>	<u>Police Drug K9 Fund</u>	<u>Contingency Fund</u>	<u>Total</u>
<b>Assets</b>				
Cash	\$ 243,913	\$ 281	\$ 142,241	\$ 386,435
Total Assets	<u>\$ 243,913</u>	<u>\$ 281</u>	<u>\$ 142,241</u>	<u>\$ 386,435</u>
<b>Fund Balances</b>				
Restricted	-	281	-	281
Committed	-	-	-	-
Assigned	-	-	142,241	142,241
Unassigned	243,913	-	-	243,913
Total Fund Balances	<u>243,913</u>	<u>281</u>	<u>142,241</u>	<u>386,435</u>
Total Liabilities and Fund Balances	<u>\$ 243,913</u>	<u>\$ 281</u>	<u>\$ 142,241</u>	<u>\$ 386,435</u>



CITY OF DAVIS, Oklahoma  
Supplementary Schedules  
Statement of Revenues, Expenditures and Changes in Fund Balances –  
Modified Cash Basis -General Fund  
June 30, 2022

	General Fund	Police Drug K9 Fund	Contingency Fund	Total
<b>REVENUE</b>				
Taxes	\$ 1,383,684	\$ -	\$ -	\$ 1,383,684
Charges for Services	52,461	-	-	52,461
Interest	583	-	236	819
License and Permits	7,601	-	-	7,601
Fines	117,343	-	-	117,343
Miscellaneous	127,083	1	-	127,084
Total Revenue	<u>1,688,755</u>	<u>1</u>	<u>236</u>	<u>1,688,992</u>
<b>EXPENDITURES</b>				
Current				
General Government	681,179	-	-	681,179
Highways and Streets	424,657	-	-	424,657
Public Safety	1,592,780	12,046	22	1,604,848
Cemetery / Parks	139,524	-	-	139,524
Culture and Recreation	85,336	-	-	85,336
Capital Outlay				
General Government	18,484	-	-	18,484
Culture and Recreation	7,050	-	-	7,050
Public Safety	107,218	-	-	107,218
Highways and Streets	11,116	-	-	11,116
Total Expenditures	<u>3,067,344</u>	<u>12,046</u>	<u>22</u>	<u>3,079,412</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,378,589)</u>	<u>(12,045)</u>	<u>214</u>	<u>(1,390,420)</u>
Other Financing Sources				
Transfers In	1,547,102	-	250,582	1,797,684
Transfers Out	-	-	(452,091)	(452,091)
Total Other Financing Sources	<u>1,547,102</u>	<u>-</u>	<u>(201,509)</u>	<u>1,345,593</u>
Net Change in Fund Balances	168,513	(12,045)	(201,295)	(44,827)
Fund Balances - Beginning	<u>75,400</u>	<u>12,326</u>	<u>343,536</u>	<u>431,262</u>
Fund Balances - Ending	<u>\$ 243,913</u>	<u>\$ 281</u>	<u>\$ 142,241</u>	<u>\$ 386,435</u>



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

To the Honorable Mayor and Members of the City Council  
City of Davis, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davis, Oklahoma (the “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, and have issued our report thereon dated February 7, 2023. Our report included an emphasis-of-a-matter paragraph related to the City’s use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on Internal Control over Financial Reporting**

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

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.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

HSPG & ASSOCIATES, PC

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

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

*HSPG & Associates, P.C.*

February 7, 2023