

**CITY OF FREDERICK, OKLAHOMA
FREDERICK, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2022**

City of Frederick, OklahomaTable of Contents
Year Ended June 30, 2022

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9
BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	10
Statement of Activities	11-12
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14-15
Statement of Fund Net Position – Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Notes to Financial Statements	19-37
OTHER SUPPLEMENTAL INFORMATION	
Combining Balance Sheet – Non-Major Governmental Funds	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental	39
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	40
Budgetary Comparison Schedule – Airport Fund	41
Schedule of the City's Proportionate Share of the Net Pension Liability - Oklahoma Police Pension Retirement Plan	42
Schedule of the City's Proportionate Share of the Net Pension Liability - Oklahoma Fire Pension Retirement Plan	43
Schedule of the City's Proportionate Share of the Net Pension Liability - Oklahoma Municipal Retirement Fund Plan	44-45
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 Governmental Auditing Standards	46-47

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Frederick, Oklahoma

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Frederick, Oklahoma, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

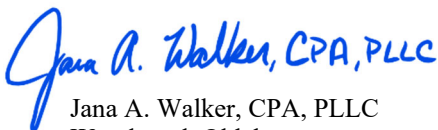
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension schedules on pages 3–9 and 40–45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2023, on our consideration of the City of Frederick, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Frederick, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Frederick, Oklahoma's internal control over financial reporting and compliance.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
May 22, 2023

Our discussion and analysis of the City of Frederick's ("City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2022. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2022, the assets of the City exceeded its liabilities by \$10,183,085 (net position). This is an increase of \$228,634 from prior year's net position of \$9,954,451.
- The City's total net position is comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$6,815,819, include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net position of \$1,466,369.
 - (3) Unrestricted net position of \$1,900,897 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- After transfers of \$1,051,518 from governmental activities to business-type activities, net position of governmental activities increased \$506,222 or 19%, and net position of business-type activities decreased \$277,588 or 4%. Overall, the health of the City increased \$228 thousand dollars when compared to prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including electricity, water, and sanitation, provided by the City.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). The Frederick Economic Development Authority is a separate legal entity which operates independently and provides services directly to the citizens though the City remains accountable for their actions. As such, the Frederick Economic Development Authority is reported separately from the primary government though included in the City's overall reporting entity. More comprehensive information about the City's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water, sanitation, and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the City's compliance with the approved and revised budget for major governmental funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position for June 30, 2022 was \$10,183,085. The following table provides a summary of the City's net position at June 30:

	Governmental Activities		Business-Type Activities		Total		Change	
	2022	2021	2022	2021	2022	2021	\$	%
Current assets	\$ 1,657,754	\$ 1,258,202	\$ 3,724,356	\$ 4,009,215	\$ 5,382,110	\$ 5,267,417	\$ 114,693	2%
Non-current assets	3,559,900	3,059,399	10,280,255	10,644,435	13,840,155	13,703,834	136,321	1%
Total assets	5,217,654	4,317,601	14,004,611	14,653,650	19,222,265	18,971,251	251,014	1%
Deferred Outflow	752,594	748,919	-	-	752,594	748,919	3,675	0%
Current liabilities	279,496	278,868	1,167,804	984,777	1,447,300	1,263,645	183,655	15%
Non-current liabilities	793,165	1,890,551	5,791,675	6,346,153	6,584,840	8,236,704	(1,651,864)	-20%
Total liabilities	1,072,661	2,169,419	6,959,479	7,330,930	8,032,140	9,500,349	(1,468,209)	-15%
Deferred Inflow	1,759,634	265,370	-	-	1,759,634	265,370	1,494,264	563%
Net position								
Net investment in capital assets	2,507,691	2,751,607	4,308,128	4,011,322	6,815,819	6,762,929	52,890	1%
Restricted	157,196	151,370	1,309,173	1,364,608	1,466,369	1,515,978	(49,609)	-3%
Unrestricted	473,066	(271,246)	1,427,831	1,946,790	1,900,897	1,675,544	225,353	13%
Total net position	\$ 3,137,953	\$ 2,631,731	\$ 7,045,132	\$ 7,322,720	\$ 10,183,085	\$ 9,954,451	\$ 228,634	2%

The City reported positive balances in net position for both governmental and business-type activities, reporting \$3,137,953 and \$7,045,132, respectively. Total assets were consistent between years, noting a 1% or \$251 thousand-dollar change.

Deferred outflows changed \$3 thousand or 0%. The City's deferred outflows are related to the pension obligations of the City. The City participates in three retirement plans, the Fire pension plan, the Police pension plan, and the Oklahoma Municipal Retirement Fund plan. Outflows of the plan are determined by a third-party actuary and reported in the City's financial statements.

Total liabilities of the City decreased 15% or \$1.4 million dollars when compared to prior year. The decrease in liabilities is attributable to regularly scheduled payments on outstanding debt coupled with a decrease in the pension obligation of the City, \$700 thousand and \$1 million, respectively.

The City reported almost \$13 million in gross capital assets with \$6.3 million remaining on debt used to finance their acquisition and construction.

Changes in Net Position

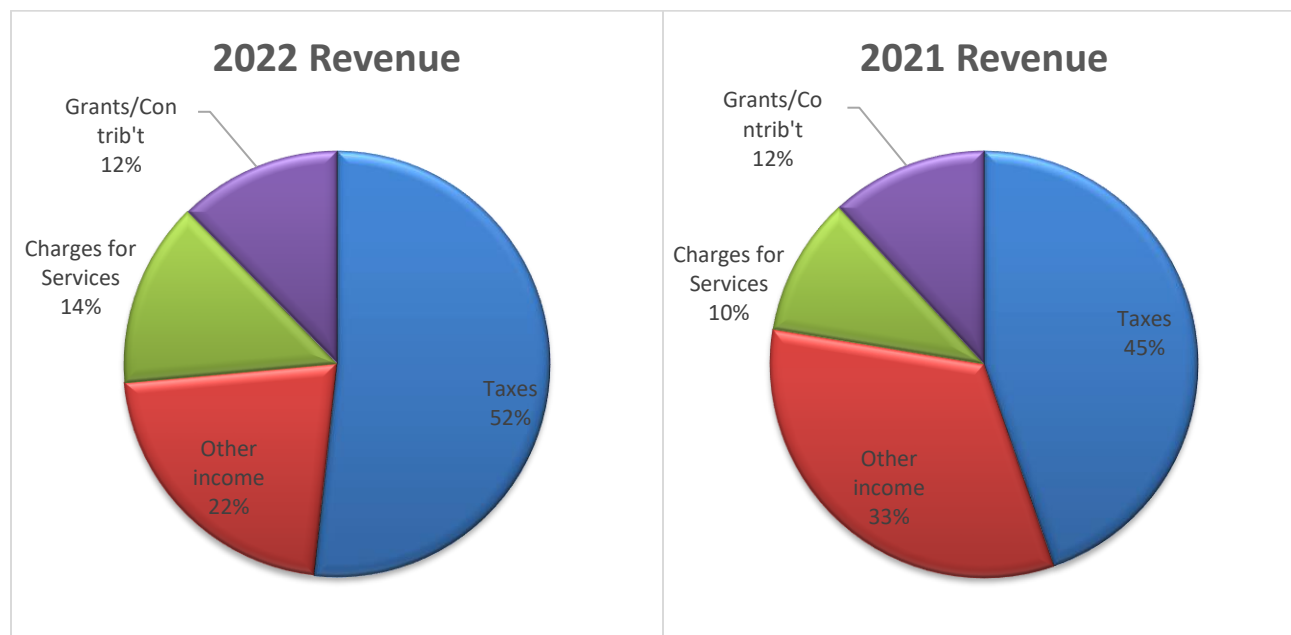
For the year ended June 30, 2022, net position of the primary government changed as follows:

	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2022	2021	2022	2021	2022	2021		
Revenues								
Program revenues	\$ 686,047	\$ 605,796	\$ 9,098,215	\$ 8,588,319	\$ 9,784,262	\$ 9,194,115	\$ 590,147	6%
Taxes and other general revenues	1,909,169	2,099,662	1,019,542	312,891	2,928,711	2,412,553	516,158	21%
Total revenues	2,595,216	2,705,458	10,117,757	8,901,210	12,712,973	11,606,668	1,106,305	10%
Expenses								
General government	443,661	1,392,242	-	-	443,661	1,392,242	(948,581)	-68%
Public safety and judiciary	1,386,725	1,444,924	-	-	1,386,725	1,444,924	(58,199)	-4%
Transportation	705,989	600,319	-	-	705,989	600,319	105,670	18%
Cultural, parks, and recreation	176,535	129,426	-	-	176,535	129,426	47,109	36%
Cemetery	159,250	162,525	-	-	159,250	162,525	(3,275)	-2%
Economic development	-	-	278,942	152,871	278,942	152,871	126,071	82%
Electric	-	-	3,957,381	3,283,197	3,957,381	3,283,197	674,184	21%
Water	-	-	2,965,860	1,124,869	2,965,860	1,124,869	1,840,991	164%
Sewer	-	-	621,188	1,398,689	621,188	1,398,689	(777,501)	-56%
Sanitation	-	-	619,262	580,748	619,262	580,748	38,514	7%
Customer service	-	-	81,978	58,896	81,978	58,896	23,082	39%
Swimming pool	-	-	819,216	818,435	819,216	818,435	781	0%
Total expenses	2,872,160	3,729,436	9,343,827	7,417,705	12,215,987	11,147,141	1,068,846	10%
Excess (deficiency) before transfers	\$ (276,944)	\$ (1,023,978)	\$ 773,930	\$ 1,483,505	\$ 496,986	\$ 459,527	\$ 37,459	8%
Transfers	1,051,518	1,032,028	(1,051,518)	(1,032,028)	-	-	-	0%
Transfers to other governments	(268,352)	(247,222)	-	-	(268,352)	(247,222.00)	(21,130)	100%
Increase (decrease) in net position	\$ 506,222	\$ (239,172)	\$ (277,588)	\$ 451,477	\$ 228,634	\$ 212,305	\$ 16,329	8%

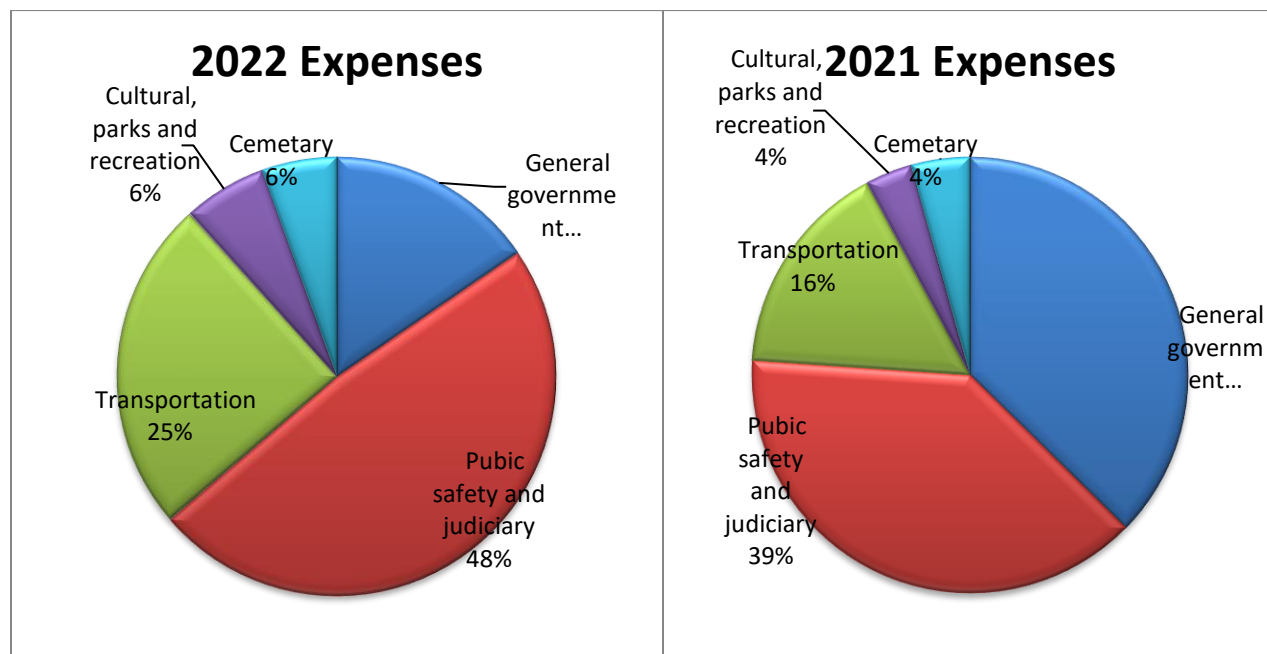
Total revenues for the City were \$12,712,973 for fiscal year 2022, which is an increase of 10% when compared to prior year. Program revenues increased 6% over the fiscal year, both in governmental and in business-type activities. Of note is an increase in grant fund for the general government from the second ARPA deposit received which exceeded \$300 thousand. Additionally, revenues earned from utility billing increased based upon demand during the fiscal year. Taxes and other general revenues increased 21% over prior year. The most significant change was noted in the pension obligation. The pension obligation is measured by a third-party actuary and reported on the City's financial statements. As the obligation increases or decreases the resulting expense or revenue is recorded in the statements. Detail of the pension change is shown in the Long Debt section.

Operating expenses were \$12,215,987 for the fiscal year 2022, noting a 10% or \$1,086,846 increase due to an increase in costs related to the water treatment plant.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.

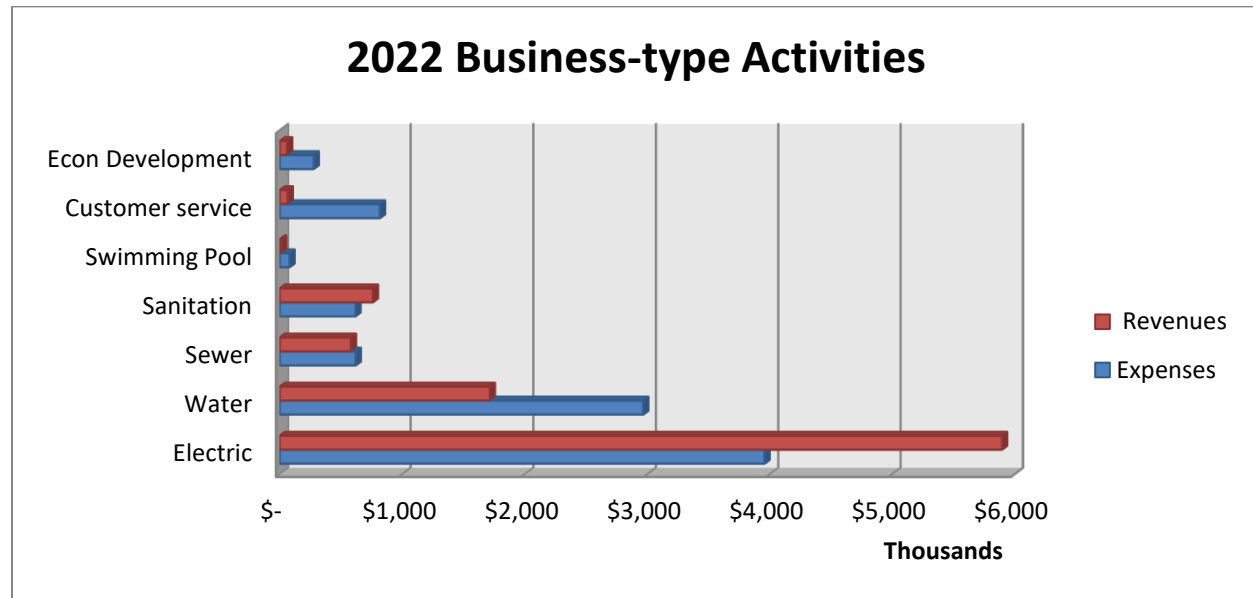


For the fiscal year 2022, the largest source of revenue is taxes at 52% compared to prior year at 45%. The increase in tax revenue, as a source, is due to the decrease in other income between the two years.



For the year ended June 30, 2022, total expenses for governmental activities were \$2,872,160, compared to \$3,729,436 in the prior fiscal year. Public safety and judiciary was the City's largest use of funds at 48% compared to 39% in fiscal year 2021. Public safety was followed closely by transportation at 25%.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by the related services. Sanitation, Sewer, Water, and Electric activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2022 was \$2,558,736 compared to prior year's budget of \$2,328,458. The General Fund actual expenses for the year totaled \$2,231,547. The City maintained compliance with state budget laws for year ended June 30, 2022.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2022, the City had \$6,815,819 invested in capital assets, net of related debt. This investment in capital assets includes land, buildings, vehicles and equipment, and improvements. Refer to the table below.

Primary Government Capital Assets (net of accumulated depreciation)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 989,801	\$ 989,801	\$ -	\$ -	\$ 989,801	\$ 989,801
Buildings	319,346	653,718	2,943,774	3,417,138	3,263,120	4,070,856
Machinery & equipment	418,524	477,595	2,048,462	1,459,457	2,466,986	1,937,052
Utility property & improvements	960,556	938,285	5,288,019	5,767,840	6,248,575	6,706,125
Totals	<u>\$ 2,688,227</u>	<u>\$ 3,059,399</u>	<u>\$10,280,255</u>	<u>\$ 10,644,435</u>	<u>\$ 12,968,482</u>	<u>\$ 13,703,834</u>

Long-Term Debt

At year-end, the City had \$6,584,840 in long-term debt outstanding, detailed below.

Primary Government Long-Term Debt						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Notes payable	-	-	4,838,582	5,105,498	4,838,582	5,105,498
Bonds payable	-	-	1,133,545	1,527,615	1,133,545	1,527,615
Capital lease payable	180,536	307,792	149,930	70,322	330,466	378,114
Pension obligation	726,322	1,781,730	-	-	726,322	1,781,730
Meter deposits liability	-	-	375,641	354,026	375,641	354,026
Subtotal	906,858	2,089,522	6,497,698	7,057,461	7,404,556	9,146,983
less current portion	(113,693)	(198,971)	(706,023)	(711,308)	(819,716)	(910,279)
Totals	793,165	1,890,551	5,791,675	6,346,153	6,584,840	8,236,704

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Environment

According to the Oklahoma State University, Spears School of Business, *Economic Outlook 2022 Summer Update* "The state and national economies have recovered from the damage wrought by the COVID-19 pandemic. While income and output have long since risen above their pre-pandemic levels, in large part spurred by massive fiscal and monetary stimulus, state and national employment are just now returning to pre-pandemic levels. Yet, although the major economic aggregates have recovered, the economy has not fully returned to pre-pandemic form." The City has continued to be proactive in unknown changes resulting from the pandemic in the upcoming year.

Fiscal Year 2023 Planning

The City has approved a budget for the municipal entity that encompasses the current market. For a copy of the most recent budget, please contact City Hall.

Management is committed to provide a consistent level of service to citizens while improving the infrastructure and recreation opportunities of the community within the current constraints.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Treasurer's Office at 200 West Grand Avenue, Frederick, Oklahoma, 73542-0399 or telephone at 580-335-7551.

City of Frederick, Oklahoma
Statement of Net Position
June 30, 2022

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 849,841	\$ 1,170,598	\$ 2,020,439
Investments	499,186	59,359	558,545
Accounts receivable (net)	47,649	809,585	857,234
Other receivables	100,702	-	100,702
Prepaid asset	3,180	-	3,180
Total current assets	<u>1,500,558</u>	<u>2,039,542</u>	<u>3,540,100</u>
Restricted assets:			
Cash and cash equivalents	140,011	332,086	472,097
Investments	17,185	1,352,728	1,369,913
Total restricted assets	<u>157,196</u>	<u>1,684,814</u>	<u>1,842,010</u>
Noncurrent Assets:			
Property, plant, and equipment, net	2,688,227	10,280,255	12,968,482
Pension asset	871,673	-	871,673
Total noncurrent assets	<u>3,559,900</u>	<u>10,280,255</u>	<u>13,840,155</u>
Total assets	<u>\$ 5,217,654</u>	<u>\$ 14,004,611</u>	<u>\$ 19,222,265</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>752,594</u>	<u>-</u>	<u>752,594</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 112,360	\$ 267,231	\$ 379,591
Payroll liabilities	39,735	37,357	77,092
Accrued interest payable	-	49,964	49,964
Lease payable, current	113,693	26,253	139,946
Note payable, current	-	274,785	274,785
Bond payable, current	-	404,985	404,985
Compensated absences	77,786	43,151	120,937
Due to other funds	(64,078)	64,078	-
Total current liabilities	<u>279,496</u>	<u>1,167,804</u>	<u>1,447,300</u>
Long-term liabilities:			
Lease payable, long term	66,843	123,677	190,520
Note payable, long term	-	4,563,797	4,563,797
Bond payable, long term	-	728,560	728,560
Customer deposits payable	-	375,641	375,641
Pension liability	726,322	-	726,322
Total long-term liabilities	<u>793,165</u>	<u>5,791,675</u>	<u>6,584,840</u>
Total liabilities	<u>1,072,661</u>	<u>6,959,479</u>	<u>8,032,140</u>
DEFERRED INFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>1,759,634</u>	<u>-</u>	<u>1,759,634</u>
NET POSITION			
Net investment in capital assets	2,507,691	4,308,128	6,815,819
Reserved for restricted purposes	157,196	1,309,173	1,466,369
Unrestricted	473,066	1,427,831	1,900,897
Total net position	<u>\$ 3,137,953</u>	<u>\$ 7,045,132</u>	<u>\$ 10,183,085</u>

City of Frederick, Oklahoma
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 443,661	\$ 83,240	\$ 309,577	\$ -	\$ (50,844)
Total general government	443,661	83,240	309,577	-	(50,844)
Public safety and judiciary:					
Police	673,127	15,255	-	-	(657,872)
Dispatchers	-	18,000	-	-	18,000
Fire	701,301	-	4,763	-	(696,538)
Emergency management	12,297	-	-	-	(12,297)
Total public safety and judiciary	1,386,725	33,255	4,763	-	(1,348,707)
Transportation:					
Street	271,686	-	-	-	(271,686)
Airport	434,303	168,560	-	-	(265,743)
Total transportation	705,989	168,560	-	-	(537,429)
Cultural, parks and recreation:					
Park	80,343	-	-	-	(80,343)
Library	92,041	2,150	6,246	-	(83,645)
Swimming pool	4,151	-	-	-	(4,151)
Total cultural, parks and recreation	176,535	2,150	6,246	-	(168,139)
Cemetery:					
Cemetery	159,250	78,256	-	-	(80,994)
Total cemetery	159,250	78,256	-	-	(80,994)
Total governmental activities	2,872,160	365,461	320,586	-	(2,186,113)
Business-type activities:					
Utility services:					
Electric	3,957,381	5,885,166	13,333	-	1,941,118
Water	2,965,860	1,714,871	-	-	(1,250,989)
Sewer	621,188	582,171	-	-	(39,017)
Sanitation	619,262	761,168	-	-	141,906
Swimming pool	81,978	12,651	-	-	(69,327)
Customer service	819,216	66,739	-	-	(752,477)
Economic Development	278,942	62,116	-	-	(216,826)
Total business-type activities	9,343,827	9,084,882	13,333	-	(245,612)
Total	\$ 12,215,987	\$ 9,450,343	\$ 333,919	\$ -	\$ (2,431,725)

City of Frederick, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2022

Changes in Net Position:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (2,186,113)	\$ (245,612)	\$ (2,431,725)
General revenues:			
Taxes:			
Sales and use tax	929,835	-	929,835
Use tax	236,724	-	236,724
Franchise taxes	51,840	-	51,840
Hotel/Motel tax	5,185	-	5,185
Other taxes	118,785	-	118,785
Investment income	4	28	32
Other income	130,304	1,019,514	1,149,818
Change in pension obligation	436,492	-	436,492
Transfers-Internal activity	1,051,518	(1,051,518)	-
Transfers-Other governments	(268,352)	-	(268,352)
Total general revenues and transfers	<u>2,692,335</u>	<u>(31,976)</u>	<u>2,660,359</u>
Change in net position	506,222	(277,588)	228,634
Net position-beginning	2,631,731	7,322,720	9,954,451
Net position-ending	<u>\$ 3,137,953</u>	<u>\$ 7,045,132</u>	<u>\$ 10,183,085</u>

City of Frederick, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Airport Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents, unrestricted	\$ 534,253	\$ 271,378	\$ 44,210	\$ 849,841
Cash and cash equivalents, restricted	1,925	1,025	137,061	140,011
Investments, unrestricted	443,828	55,358	-	499,186
Investments, restricted	690	-	16,495	17,185
Accounts receivable, net	12,494	15,166	19,989	47,649
Taxes receivable	100,702	-	-	100,702
Due from other funds	923,374	95,234	470,604	1,489,212
Prepaid asset	3,180	-	-	3,180
Total assets	<u>\$ 2,020,446</u>	<u>\$ 438,161</u>	<u>\$ 688,359</u>	<u>\$ 3,146,966</u>
LIABILITIES				
Accounts payable	\$ 10,593	\$ 4,399	\$ 97,368	\$ 112,360
Due to other funds	833,466	75,000	516,668	1,425,134
Compensated absences	72,314	5,472	-	77,786
Accrued payroll liabilities	39,735	-	-	39,735
Total liabilities	<u>956,108</u>	<u>84,871</u>	<u>614,036</u>	<u>1,655,015</u>
FUND BALANCES				
Restricted	2,615	16,191	216,916	235,722
Committed	-	-	(111,567)	(111,567)
Assigned	-	337,099	-	337,099
Unassigned	1,061,723	-	(31,026)	1,030,697
Total fund balances	<u>1,064,338</u>	<u>353,290</u>	<u>74,323</u>	<u>1,491,951</u>
Total liabilities and fund balances	<u>\$ 2,020,446</u>	<u>\$ 438,161</u>	<u>\$ 688,359</u>	<u>\$ 3,146,966</u>
Total fund balance- total governmental funds				\$ 1,491,951
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Land and capital assets, net of accumulated depreciation, are not financial resources, in the funds, and therefore, are not reported				
	Land	\$ 989,801		
	Capital assets	10,048,385		
	Less: Accumulated depreciation	<u>(8,349,959)</u>		2,688,227
Long-term liabilities are not due and payable in the current period and are not reported in the funds.				
	Long term debt obligations	\$ (180,536)		
	Net pension related deferred (inflows)/outflows	(1,007,040)		
	Net pension obligation	<u>145,351</u>		(1,042,225)
Net position of governmental activities				<u>\$ 3,137,953</u>

City of Frederick, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2022

	General Fund	Airport Fund	Non-Major Funds	Total Governmental Funds
REVENUES				
Sales tax	\$ 929,835	\$ -	\$ -	\$ 929,835
Use tax	236,724	-	-	236,724
Franchise tax	51,840	-	-	51,840
Hotel/motel tax	5,185	-	-	5,185
Other taxes	118,785	-	-	118,785
Licenses and permits	36,381	-	-	36,381
Rents & royalties	-	127,645	-	127,645
Fines and forfeitures	15,255	-	-	15,255
Charges for services	91,598	40,915	53,667	186,180
Intergovernmental revenues	320,856	-	-	320,856
Other revenues	123,912	2,280	3,842	130,034
Interest	-	-	4	4
Proceeds from debt issuance	71,700	-	-	71,700
Total revenues	<u>2,002,071</u>	<u>170,840</u>	<u>57,513</u>	<u>2,230,424</u>
EXPENDITURES				
General government:				
General government	240,370	-	141,163	381,533
Total general government	<u>240,370</u>	<u>-</u>	<u>141,163</u>	<u>381,533</u>
Public safety and judiciary:				
Police	566,500	-	2,976	569,476
Dispatchers	-	-	-	-
Fire	676,411	-	-	676,411
Emergency Management	12,297	-	-	12,297
Total public safety and judiciary	<u>1,255,208</u>	<u>-</u>	<u>2,976</u>	<u>1,258,184</u>
Transportation:				
Street	229,663	-	14,521	244,184
Total transportation	<u>229,663</u>	<u>-</u>	<u>14,521</u>	<u>244,184</u>
Cultural, parks and recreation:				
Parks	61,642	-	-	61,642
Library	92,041	-	-	92,041
Swimming pool	-	-	-	-
Total cultural, parks and recreation	<u>153,683</u>	<u>-</u>	<u>-</u>	<u>153,683</u>
Cemetery:				
General cemetery	150,907	-	842	151,749
Total cemetery	<u>150,907</u>	<u>-</u>	<u>842</u>	<u>151,749</u>
Airport:				
Airport	-	137,511	6,350	143,861
Total airport	<u>-</u>	<u>137,511</u>	<u>6,350</u>	<u>143,861</u>
Capital expense	-	65,800	99,234	165,034
Debt service				
Principle	198,956	-	-	198,956
Interest	2,760	-	-	2,760
Total expenditures	<u>2,231,547</u>	<u>203,311</u>	<u>265,086</u>	<u>2,699,944</u>
Excess (deficiency) of revenues over expenditures	<u>(229,476)</u>	<u>(32,471)</u>	<u>(207,573)</u>	<u>(469,520)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,408,000	157,264	146,838	1,712,102
Transfers out	(660,584)	-	-	(660,584)
Transfers out to other governments	(268,352)	-	-	(268,352)
Total other financing sources and uses	<u>479,064</u>	<u>157,264</u>	<u>146,838</u>	<u>783,166</u>
Net change in fund balances	249,588	124,793	(60,735)	313,646
Fund balances - beginning	814,750	228,497	135,058	1,178,305
Fund balances - ending	<u>\$ 1,064,338</u>	<u>\$ 353,290</u>	<u>\$ 74,323</u>	<u>\$ 1,491,951</u>

City of Frederick, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2022

Net change in fund balances - total governmental funds	\$	313,646
--	----	---------

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

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 asset purchases	165,034		
Depreciation expense	<u>(536,206)</u>		(371,172)

The proceeds of debt issuance provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Capital lease debt issued	(71,700)
---------------------------	----------

Repayment of debt principle is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt activity reported in the fund statements	
Capital lease principle	198,956

In the statement of activities, the cost of pension benefits earned net of employee contributions are reported as a component of pension expense. The fund financial statements report pension contributions as expenditures.

	<u>436,492</u>
--	----------------

Change in Net Position of Governmental Activities	<u><u>\$ 506,222</u></u>
---	--------------------------

City of Frederick, Oklahoma
Statement of Fund Net Position
Proprietary Funds
June 30, 2022

	Public Works Authority	Economic Development Authority	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 344,690	\$ 825,908	\$ 1,170,598
Investments	-	59,359	59,359
Accounts receivable	960,506	-	960,506
Allowance for doubtful accounts	(150,921)	-	(150,921)
Notes receivable	-	-	-
Total current assets	<u>1,154,275</u>	<u>885,267</u>	<u>2,039,542</u>
Current assets:			
Restricted assets:			
Cash, including time deposits	332,086	-	332,086
Investments	1,352,728	-	1,352,728
Total restricted assets	<u>1,684,814</u>	<u>-</u>	<u>1,684,814</u>
Noncurrent assets:			
Property, plant, and equipment, net	8,513,017	1,767,238	10,280,255
Due from other funds	731,128	-	731,128
Total noncurrent assets	<u>9,244,145</u>	<u>1,767,238</u>	<u>11,011,383</u>
Total assets	<u>\$ 12,083,234</u>	<u>\$ 2,652,505</u>	<u>\$ 14,735,739</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 267,231	\$ -	\$ 267,231
Payroll liabilities	37,357	-	37,357
Accrued interest payable	49,964	-	49,964
Capital lease, current	26,253	-	26,253
Note payable, current	274,785	-	274,785
Bond payable, current	404,985	-	404,985
Compensated absences	43,151	-	43,151
Due to other funds	788,256	6,950	795,206
Total current liabilities	<u>1,891,982</u>	<u>6,950</u>	<u>1,898,932</u>
Long-term liabilities			
Capital lease, long term	123,677	-	123,677
Note payable, long term	4,563,797	-	4,563,797
Bond payable, long term	728,560	-	728,560
Customer deposits payable	375,641	-	375,641
Total long-term liabilities	<u>5,791,675</u>	<u>-</u>	<u>5,791,675</u>
Total liabilities	<u>7,683,657</u>	<u>6,950</u>	<u>7,690,607</u>
NET POSITION			
Net investment in capital assets	2,540,890	1,767,238	4,308,128
Restricted	1,309,173	-	1,309,173
Unrestricted	549,514	878,317	1,427,831
Total net position	<u>\$ 4,399,577</u>	<u>\$ 2,645,555</u>	<u>\$ 7,045,132</u>

City of Frederick, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2022

	Public Works Authority	Economic Development Authority	Total Enterprise Funds
<u>Operating revenues:</u>			
Charges for services:			
Electric charges	\$ 5,885,166	\$ -	\$ 5,885,166
Water charges	1,714,871	-	1,714,871
Sewer charges	582,171	-	582,171
Sanitation charges	761,168	-	761,168
Penalties	57,547	-	57,547
Total charges for services	9,000,923	-	9,000,923
Lease and rental income	46,355	28,412	74,767
Other fees and charges	9,192	-	9,192
Total operating revenues	9,056,470	28,412	9,084,882
<u>Operating expenses:</u>			
Personal services	1,362,123	-	1,362,123
Materials and supplies	1,072,273	29	1,072,302
Cost of service	3,166,107	-	3,166,107
Other services and charges	2,276,051	54,268	2,330,319
Depreciation	1,119,751	103,955	1,223,706
Total operating expenses	8,996,305	158,252	9,154,557
Net operating income	60,165	(129,840)	(69,675)
<u>Nonoperating revenue (expense):</u>			
Investment income	28	-	28
Grant income	13,333	-	13,333
Interest expense	(189,270)	-	(189,270)
Other revenue (expenses)	1,019,514	-	1,019,514
Total nonoperating revenue (expense)	843,605	-	843,605
Net Income before contributions and transfers	903,770	(129,840)	773,930
Transfers from other funds	425,264	-	425,264
Transfers to other funds	(1,456,782)	(20,000)	(1,476,782)
Change in net position	(127,748)	(149,840)	(277,588)
Net position-beginning of year	4,527,325	2,795,395	7,322,720
Prior period restatement	-	-	-
Net position-end of year	\$ 4,399,577	\$ 2,645,555	\$ 7,045,132

City of Frederick, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	Public Works Authority	Economic Development Authority	Total Enterprise Funds
<u>Cash flows from operating activities:</u>			
Receipts from customers	\$ 8,830,864	\$ 28,417	\$ 8,859,281
Payments to suppliers	(6,271,732)	(54,297)	(6,326,029)
Payments to employees	(1,390,142)	-	(1,390,142)
Net cash provided (used) by operating activities	<u>1,168,990</u>	<u>(25,880)</u>	<u>1,143,110</u>
<u>Cash flows from non-capital financing activities:</u>			
Transfers from other funds	425,264	-	425,264
Transfers to other funds	(1,456,782)	(20,000)	(1,476,782)
Net cash provided (used) by non-capital financing activities	<u>(12,004)</u>	<u>(20,000)</u>	<u>(32,004)</u>
<u>Cash flows from capital and related financing activities:</u>			
Principal paid on capital debt	(731,308)	-	(731,308)
Issuance of capital debt	149,930	-	149,930
(Purchase) of capital assets	(859,528)	-	(859,528)
Interest paid on capital debt	(194,023)	-	(194,023)
Net cash provided (used) by capital and related financing activities	<u>(1,634,929)</u>	<u>-</u>	<u>(1,634,929)</u>
<u>Cash flows from investing activities:</u>			
(Purchase) of investments	15,690	3,085	18,775
Investment income	28	-	28
Net cash provided (used) by investing activities	<u>15,718</u>	<u>3,085</u>	<u>18,803</u>
Net increase (decrease) in cash and cash equivalents	(462,225)	(42,795)	(505,020)
Cash & cash equivalents, June 30, 2021	1,139,001	868,703	2,007,704
Cash & cash equivalents, June 30, 2022	<u>\$ 676,776</u>	<u>\$ 825,908</u>	<u>\$ 1,502,684</u>
Cash, including time deposits	\$ 344,690	\$ 825,908	1,170,598
Restricted cash, including time deposits	332,086	-	332,086
Total cash and cash equivalents, end of year	<u>\$ 676,776</u>	<u>\$ 825,908</u>	<u>\$ 1,502,684</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Operating income (loss)	\$ 60,165	\$ (129,840)	\$ (69,675)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Depreciation	1,119,751	103,955	1,223,706
(Increase) decrease in accounts receivable	(225,606)	-	(225,606)
(Increase) decrease in other assets	(38,935)	5	(38,930)
Increase (decrease) in accounts payable	208,862	-	208,862
Increase (decrease) in deposits subject to refund	21,615	-	21,615
Increase (decrease) in compensated absences	(28,019)	-	(28,019)
Increase (decrease) in other liabilities	51,157	-	51,157
Total adjustments	1,108,825	103,960	1,212,785
Net cash provided (used) by operating activities	<u>\$ 1,168,990</u>	<u>\$ (25,880)</u>	<u>\$ 1,143,110</u>

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Frederick, Oklahoma (the "City") was organized in April 1907 and is incorporated under the provisions of the State of Oklahoma per Executive Department Proclamation on January 6, 1902. The City operates under the Statutory Council/Manager form of government.

The City provides the following services: public safety (police and fire protection), street maintenance, utility (electric, water, sewer, and sanitation) services, culture and recreation, cemetery and general administrative services.

The Reporting Entity

The City, for financial purposes, includes all funds and account groups relevant to the operation of the City of Frederick. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government as an integral part of City operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely. For the year end, the City has no discretely presented component units.

Blended Component Units Reported with Primary Government

Frederick Public Works Authority (FPWA) – was established August 18, 1969, under Title 60 of the Oklahoma state statutes to operate the City's electrical, water, sewer, and sanitation systems. FPWA is governed by a board comprised of the City Council.

Frederick Economic Development Authority (FEDA) – was established November 3, 1986 as a public trust under Title 60 Oklahoma Statute to promote the economic development of the City. FEDA is governed by a board comprised of the City Council.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Fund Financial Statements:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means

knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

Airport Fund

The Airport Fund accounts for the operations of the municipal airport and related grant funding.

Non-major *Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

FUND	BRIEF DESCRIPTION
<u>Capital Improvement Fund</u>	Accounts for capital improvement activities
<u>Cemetery Trust Fund</u>	Accounts for 12 1/2% of cemetery revenue restricted by State law
<u>Cemetery Care</u>	Accounts for operations of the cemetery
<u>Recoveries Fund</u>	Accounts for reimbursement funds received
<u>Nursing Center</u>	Accounts for operations of the nursing center

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise Funds are used to account for business-type 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 enterprises funds:

FUND	BRIEF DESCRIPTION
<u>Frederick Public Works Authority</u>	Accounts for the activities of the authority in providing electric, water, sewer, and solid waste services to the public.
<u>Frederick Economic Development Authority</u>	Accounts for economic development of the City

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The City Treasurer submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the Council adopts the annual fiscal year budgets for City operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Treasurer and must be approved by the Council. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Council review and approval process.

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

Budget Basis of Accounting

The combined statement of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the next fiscal year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

E. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Allowance for Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The City has established an allowance for collectible accounts based on management's prior experience using past due amounts more than 90 days. An allowance of \$58,443 and \$52,802 for governmental and business-type activities, respectively.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalized assets with cost in excess of \$5,000.

The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

• Buildings	10-25 years
• Other improvements	10-25 years
• Machinery, furniture & equipment	3-25 years
• Infrastructure	10-20 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due to employees upon termination is reported as a liability in the Statement of Net Position.

Long-Term Debt

The City's long-term debt is not reported in the accompanying financial statements due to its modified cash basis of accounting. However, the City's long-term debt is disclosed in the commitment section of these notes.

Equity Classifications

Fund balances reported in the governmental funds financial statements are typically displayed in up to five components:

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council, the Town's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

Net investment in capital assets

The amount restricted 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.

Restricted net position

Amounts reported as restricted consist of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position

This consists of net position that does not meet the criteria of "restricted" or "net investment in capital assets".

F. Revenues, Expenditures and Expenses

Sales Tax

The City levied a 3.5% 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 Tax Commission.

Sales tax is restricted as follows: one cent street bond debt pledge, half cent sewer bond debt; and one cent is voter restricted for the hospital in accordance with City ordinances. The remaining one percent of sales tax is available for use for operations by the General Fund.

All three and a half cents of the sales tax are received and recorded in the General Fund and then transferred to the FPWA or other governments in accordance with the restrictions.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as 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:

A. Budget Requirements

For the year ended June 30, 2022, the City was in compliance with budget requirements.

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Custodial Credit Risk

Exposure to custodial credit related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized without a written or approved collateral agreement.

Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name. The City's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 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.

At June 30, 2022, the City had no custodial credit risk as described above.

Investment Credit Risk

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, 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; and government money market funds regulated by the SEC.

Title 60 public trusts are not limited by the same investment limitations of their municipal beneficiary. The investments held by the Public Works Authority are part of the 2014 revenue bond trustee accounts, which are covered and authorized under the said indentures and the utility deposits in the mutual securities account.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

At June 30, 2022, the City had no concentration of credit risk.

The City's marketable investments at June 30, 2022 are listed below:

<u>Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Fair Value Measurement</u>
Demand deposits and cash on hand	\$ 2,492,536	--	--
Money market funds - federal obligations	1,157,674	Aaa	Level 1
U.S. government securities	<u>770,784</u>	Aaa	Level 1
Total Cash and Investments	<u>\$ 4,420,994</u>		

RECONCILIATION TO STATEMENT OF NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents, unrestricted	\$ 849,841	\$ 1,170,598	\$ 2,020,439
Cash and cash equivalents, restricted	140,011	332,086	472,097
Investments, unrestricted	499,186	59,359	558,545
Investments, restricted	<u>17,185</u>	<u>1,352,728</u>	<u>1,369,913</u>
Total investments	<u>\$ 1,506,223</u>	<u>\$ 2,914,771</u>	<u>\$ 4,420,994</u>

Restricted Cash and Investments – The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction and related other purposes. The restricted assets as of June 30, 2022 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Debt Service	\$ -	\$ 918,759
Meter deposits	-	386,312
Cemetery	153,556	-
Grant/Other	<u>3,640</u>	<u>379,743</u>
	<u>\$ 157,196</u>	<u>\$ 1,684,814</u>

Reconciliation to Statement of Net Position

Cash and cash equivalents	\$ 140,011	\$ 332,086
Investments	<u>17,185</u>	<u>1,352,728</u>
	<u>\$ 157,196</u>	<u>\$ 1,684,814</u>

B. Capital Assets

Changes in Capital Assets

Governmental Capital Assets:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Land	\$ 989,801	\$ -	\$ -	\$ 989,801
Buildings & structures	5,987,882	-	-	5,987,882
Machinery, furniture, & equipment	1,163,879	-	-	1,163,879
Infrastructure & improvements	2,731,590	165,034	-	2,896,624
 Total	 10,873,152	 165,034	 -	 11,038,186
Less accumulated depreciation	7,813,753	536,206	-	8,349,959
 Fixed assets, net	 <u>\$ 3,059,399</u>	 <u>\$ (371,172)</u>	 <u>\$ -</u>	 <u>\$ 2,688,227</u>

Business-type Activities Capital Assets:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Buildings	\$ 30,798,802	\$ -	\$ -	\$ 30,798,802
Machinery, furniture, & equipment	3,846,747	809,615	-	4,656,362
Infrastructure	12,482,062	49,913	-	12,531,975
 Total	 47,127,611	 859,528	 -	 47,987,139
Less accumulated depreciation	36,483,176	1,223,707	-	37,706,883
 Fixed assets, net	 <u>\$ 10,644,435</u>	 <u>\$ (364,179)</u>	 <u>\$ -</u>	 <u>\$ 10,280,256</u>

Depreciation expense:

Governmental Activities

Business-type Activities

General government	\$ 62,128	Electric	\$ 100,101
Public safety & judiciary	127,999	Water	741,206
Transportation	315,726	Sewer	268,455
Cultural, parks & recreation	22,852	Economic development	113,945
Cemetery	7,501		
 Total depreciation expense	 <u>\$ 536,206</u>	 Total depreciation expense	 <u>\$ 1,223,707</u>

D. Long Term Debt

The City had the following debt obligations as of June 30, 2022:

Governmental Activities

Capital Leases

\$175,472 lease agreement with Leasing Specialist, LLC for four (4) 2020 ford Explorers in the Police department, payable in annual installments, maturing August 2022.	\$ 62,756
\$130,116 lease agreement with Barbara Kaker for three (3) 2021 ford Explorers in the Police department, payable in annual installments, maturing April 2023.	46,080
\$71,700 lease agreement with Prosperity Bank for a backhoe in the Street department, payable in annual installments, maturing June 2025 with a balloon payment of \$36,900.	<u>71,700</u>
Total Governmental Capital Leases	<u>\$ 180,536</u>

Business-type Activities

Capital Leases

\$64,800 lease agreement with Prosperity Bank for a backhoe in the Water department, payable in annual installments, maturing June 2025 with a balloon payment of \$32,500.	64,800
\$85,130 lease agreement with Prosperity Bank for a bucket truck in the Electric department, payable in annual installments, maturing August 2026.	<u>85,130</u>
Total Business-type Capital Leases	<u>\$ 149,930</u>

Notes Payable

\$4,500,000 note payable to the Oklahoma Water Resources Board dated February 1, 2009, secured by net utility revenues and capital assets, interest rate of 3.08%, final payment due March 15, 2031	1,597,250
\$4,315,000 CWSRF 2014 note payable to the Oklahoma Water Resources Board dated October 25, 2013, secured by net utility revenues and capital assets, interest rate of 3.18%, final payment due September 15, 2045.	3,191,333
Frederick Economic Development Authority CDBG-ED Promissory Note, original issue amount of \$400,000, dated January 1, 2005, interest rate of 0%, final payment due December 1, 2024.	<u>49,999</u>
Total Business-type Notes Payable	<u>\$ 4,838,582</u>

Revenue Bonds

Mountain Park Master Conservancy District Taxable Revenue Refunding Note, Series 2014, original issue amount of \$10,000,000, dated October 30, 2014, issued by Frederick Public Works Authority, secured by gross utility revenues, interest rate of 3.26%, final payment due January 1, 2025. The City's proportionate share is 16.9%.	558,545
Frederick Public Works Authority Sales Taxable Revenue Note, Series 2014, original issue amount of \$1,800,000, dated November 24, 2014, issued by BancFirst, secured by pledged sales tax, interest rate of 2.75%, final payment due October 1, 2024.	<u>575,000</u>
Total Business-type Revenue Bonds	<u>\$ 1,133,545</u>

Total Business-type Activities	<u>\$ 6,122,057</u>
--------------------------------	---------------------

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

Type of Debt	Balance at July 1, 2021	Amount Issued	Amount Retired	Balance at June 30, 2022	Due Within One Year
Governmental activities:					
Capital lease BancFirst - Fire	\$ 20,278	\$ -	\$ 20,278	\$ -	\$ -
Capital lease payable - Street	80,302	71,700	80,302	71,700	11,255
Capital lease payable - Police	119,114	-	56,358	62,756	56,358
Capital lease payable - Police	88,098	-	42,018	46,080	46,080
Total governmental activities	<u>\$ 307,792</u>	<u>\$ 71,700</u>	<u>\$ 198,956</u>	<u>\$ 180,536</u>	<u>\$ 113,693</u>
Type of Debt	Balance at July 1, 2021	Amount Issued	Amount Retired	Balance at June 30, 2022	Due Within One Year
Business-type activities:					
<i>Public Works Authority</i>					
<u>Capital Lease</u>					
Capital lease - Water	70,322	64,800	70,322	64,800	10,447
Capital lease - Electric	-	85,130	-	85,130	15,806
<u>Notes Payable</u>					
OWRB 2009 Note Payable	1,748,785	-	151,535	1,597,250	156,304
OWRB 2013 Note Payable	3,286,714	-	95,381	3,191,333	98,481
<u>Bonds Payable</u>					
Master Conveyance Bonds, Series 2014	732,615	-	174,070	558,545	179,985
Sales Tax Revenue Bonds, Series 2014	795,000	-	220,000	575,000	225,000
<i>Economic Development Authority</i>					
CDBG Promissory note	69,999	-	20,000	49,999	20,000
Total business-type activities	<u>\$ 6,703,435</u>	<u>\$ 149,930</u>	<u>\$ 731,308</u>	<u>\$ 6,122,057</u>	<u>\$ 706,023</u>
Total long-term debt	<u>\$ 7,011,227</u>	<u>\$ 221,630</u>	<u>\$ 930,264</u>	<u>\$ 6,302,593</u>	<u>\$ 819,716</u>

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2022 follow:

Year Ending June 30	Leases Payable		Notes Payable		Bonds Payable		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	139,946	6,446	274,785	127,409	404,985	14,300	819,716	148,155
2024	56,762	5,153	281,884	123,071	415,900	8,044	754,546	136,268
2025	115,950	3,802	280,598	115,087	312,660	1,650	709,208	120,539
2026	17,808	722	279,495	107,155	-	-	297,303	107,877
2027	-	-	290,566	98,970	-	-	290,566	98,970
2028-2032	-	-	1,381,195	372,010	-	-	1,381,195	372,010
2033-2037	-	-	723,250	235,768	-	-	723,250	235,768
Thereafter	-	-	1,326,809	149,757	-	-	1,326,809	149,757
Totals	\$ 330,466	\$ 16,123	\$ 4,838,582	\$ 1,329,227	\$ 1,133,545	\$ 23,994	\$ 6,302,593	\$ 1,369,344

E. INTERFUND TRANSACTIONS AND BALANCES

Intercompany balances reported on the Statement of Net Position for the year ended June 30, 2022 were as follows:

	<u>Due From</u>	<u>Due To</u>
GENERAL FUND		
Airport Fund	\$ 75,000	\$ -
Public Works Authority	32,055	31,471
AIRPORT FUND		
General Fund	-	75,000
Capital Improvement Fund	93,851	-
Public Works Authority	3,485	-
CAPITAL IMPROVEMENT FUND		
Airport Fund	-	93,851
Public Works Authority	470,604	422,817
PUBLIC WORKS AUTHORITY		
General Fund	31,471	32,055
Airport Fund	-	3,485
Capital Improvement Fund	653,772	701,559
Economic Development Authority	6,950	-
ECONOMIC DEVELOPMENT AUTHORITY		
Public Works Authority	-	6,950
	<u>\$ 1,367,188</u>	<u>\$ 1,367,188</u>

Operating transfers for the year ended June 30, 2022 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Airport Fund	\$ -	\$ 160,000
Capital Improvement	-	98,056
Public Works Authority	1,408,000	402,528
Total GENERAL FUND	<u>1,408,000</u>	<u>660,584</u>
AIRPORT FUND		
Capital Improvement	157,264	65,800
Total AIRPORT FUND	<u>157,264</u>	<u>65,800</u>
CAPITAL IMPROVEMENT FUND		
General Fund	98,056	-
Public Works Authority	626,061	-
Airport Fund	65,800	-
Total CAPITAL IMPROVEMENT FUND	<u>789,917</u>	<u>-</u>
PUBLIC WORKS AUTHORITY		
General Fund	402,528	1,408,000
Capital Improvement	-	623,325
FEDA Fund	20,000	-
Total PUBLIC WORKS AUTHORITY	<u>422,528</u>	<u>2,031,325</u>
FEDA FUND		
Public Works Authority	-	20,000
Total FEDA FUND	<u>-</u>	<u>20,000</u>
GRAND TOTAL	<u>\$ 2,777,709</u>	<u>\$ 2,777,709</u>

(4) RETIREMENT PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Oklahoma Police Pension and Retirement Systems

Plan description – The City of Frederick, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

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

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

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

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$21,913.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPPRS

At June 30, 2022, the City reported an asset of \$309,867 for its proportionate share of the net pension liability. The net pension net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2022, the City's proportion was 0.000646 percent.

For the year ended June 30, 2022, the City recognized pension expense of \$(31,018). At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,449	\$ 12,230
Changes of assumptions	4,712	-
Net difference between projected and actual earnings on pension plan investments	75,815	301,853
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	21,913	-
Total	\$ 106,889	\$ 314,083

Other amounts reported deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (51,704)
2023	(45,308)
2024	(57,301)
2025	(75,336)
2026	542
Total	\$ (229,107)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

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

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

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

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

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

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent, which is the long-term expected rate of return on plan investments. The Plan has used this assumption since 1984. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from municipalities will be made at contractually required rates, actuarially determined. Based on those assumptions, OPFRS net position was projected to be available make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	\$ (116,210)	\$ (309,867)	\$ (473,620)

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

B. Oklahoma Firefighter's Pension and Retirement Systems

Plan Description – The City of Frederick, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of full-time firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, Section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. OFPRS plan members are required to contribute 9% to the plan. The City is required by state law to contribute 14% per year of covered payroll for paid firefighters. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. OFPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

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

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

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

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

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

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$49,984 (fiscal year contributions).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPPRS

At June 30, 2022, the City reported a liability of \$726,322 for its proportionate share of the net pension liability. The net pension net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2022, the Town's proportion was 0.110288 percent.

For the year ended June 30, 2022, the Town recognized pension expense of \$62,971. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 263,421	\$ 12,755
Changes of assumptions	-	16,110
Net difference between projected and actual earnings on pension plan investments	71,425	648,820
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	49,984	-
Total	\$ 384,830	\$ 677,685

Other amounts reported deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (53,621)
2023	(68,008)
2024	(84,419)
2025	(136,791)
2026	-

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

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

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	1,135,025	726,322	384,150

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

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

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

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

C. Oklahoma Municipal Retirement Fund

The City contributes to the Employee Retirement System of Frederick, Oklahoma in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. Bank One Trust Company of Oklahoma City acts as administrator and securities custodian.

The OMRF plan has annual actuarial valuations that determine the actuarially required contribution. For the year ended June 30, 2022, such required contributions were 8.36 percent of covered payroll, of which 4.03 percent and 4.33 percent were the required contributions by the employer and employee respectively.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

For the year ended June 30, 2022, the following amounts related to the defined contribution plan:

Payroll for covered employees	\$1,071,538
Employer (City) contributions made	\$141,186

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

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

Eligibility Factors and Benefit Provisions

Provision	OkMRF Plan
a. Eligible to Participate	Full-time, employees of the City or Authority, except police, firefighters, and other employees who are covered under another approved system.
b. Contributions Requirement	
- Authorization	By City Ordinance
- Actuarially Determined	Yes
- Employer Rate	8.71% of covered payroll
- Employee Rate	4.33% of covered payroll
c. Period Required to Vest	10 years of vesting service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 10 years of vesting service. - Early Retirement after age 55 with 10 years or more of vesting. - Disability retirement upon total and permanent disability with 10 years of service. - Death benefits with 10 years of vesting service, if married, 50% of accrued benefit payable to spouse until death or remarriage, if single, 50% of the accrued benefit is payable for 10 years certain.
e. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 years of service.
f. Benefit Determination Methods:	
- Normal Retirement	2.25% of final average compensation multiplied by the number of years of credited service.
- Early Retirement	Payable starting at normal retirement or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.
- Disability Retirement	Payable upon disablement without reduction for early payment
- Death Benefit	50% of employee's accrued benefit, see above
- Prior to 10 Years Service	Return of employee contributions with accrued interest.
g. Form of Benefit Payments	Normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain. Other retirement benefits are available under actuarially equivalent optional forms.

Employees Covered by Benefit Terms

Active Employees	31
Deferred Vested Former Employees	2
Retirees or Retiree Beneficiaries	<u>18</u>
Total	<u>51</u>

Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate.

Actuarial Assumptions

- | | |
|--|-------------------------------|
| a. Date of last Actuarial Valuation | March 2022 |
| b. Significant Actuarial Assumptions Used: | |
| 1. Rate of Return on Investments | 7.5% per annum |
| 2. Pay increases | Rates by age |
| 3. Retirement Age | Rates by age |
| 4. Mortality Table | UP 1994 mortality (projected) |
| 5. Asset Value | Actuarial method |
| c. Actuarial cost method | Entry age normal |

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2021 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks - S&P 500	25%	5.80%	1.45%
Small/mid cap stocks - Russell 2500	10%	6.40%	64.00%
Long/short equity - MSCI ACWI	10%	5.00%	50.00%
International stocks - MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.30%	69.00%
Real estate - NCREIF	5%	4.60%	23.00%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	100%		
	Average Real Return		4.75%
	Inflation		<u>2.75%</u>
	Long term expected return		<u><u>7.50%</u></u>

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2021 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2021 and the City's report ending date of June 30, 2022, that would have had a significant impact on the net pension liability.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	\$ 2,851	\$ (561,806)	\$ (1,038,801)

The City reported \$(92,539) in pension expense for the year ended June 30, 2022.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Difference between expected and actual experience	\$ 7,960	\$ 37,993
Changes of assumptions	14,287	-
Net difference between projected and actual earnings on pension plan investments	97,442	729,873
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	141,186	-
Total	\$ 260,875	\$ 767,866

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ (155,095)
2024	(159,177)
2025	(151,437)
2026	(182,468)
2027	-
Total	\$ (648,177)

(6) COMMITMENTS AND CONTINGENCIES

A. Litigation

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

B. Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

C. Landfill Closure and Post-Closure Requirements

As of June 30, 2022, the Frederick Public Works Authority deposited \$356,577 for the closure and post-closure requirements dictated by the U.S. Environmental Protection Agency and the Oklahoma Department of Environmental Quality into a trust account established for costs associated with closing requirements. This cash is reported as restricted in the Frederick Public Works Authority fund.

City of Frederick, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022

	Capital Improvement Fund	Cemetery Trust Fund	Cemetery Care Fund	Recoveries Account	Total Non-Major Funds
ASSETS					
Cash and cash equivalents, unrestricted	\$ 14,941	\$ -	\$ -	\$ 29,269	\$ 44,210
Cash and cash equivalents, restricted	-	131,830	5,231	-	137,061
Investments, restricted	-	14,482	2,013	-	16,495
Due from other funds	400,801	55,605	7,755	6,443	470,604
Accounts receivable, net	-	-	-	19,989	19,989
Total assets	<u>\$ 415,742</u>	<u>\$ 201,917</u>	<u>\$ 14,999</u>	<u>\$ 55,701</u>	<u>\$ 688,359</u>
LIABILITIES					
Accounts payable	\$ 97,368	\$ -	\$ -	\$ -	\$ 97,368
Due to other funds	429,941	-	-	86,727	516,668
Total liabilities	<u>527,309</u>	<u>-</u>	<u>-</u>	<u>86,727</u>	<u>614,036</u>
FUND BALANCES					
Restricted	-	201,917	14,999	-	216,916
Committed	(111,567)	-	-	-	(111,567)
Unassigned	-	-	-	(31,026)	(31,026)
Total fund balances	<u>(111,567)</u>	<u>201,917</u>	<u>14,999</u>	<u>(31,026)</u>	<u>74,323</u>
Total liabilities and fund balances	<u>\$ 415,742</u>	<u>\$ 201,917</u>	<u>\$ 14,999</u>	<u>\$ 55,701</u>	<u>\$ 688,359</u>

City of Frederick, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2022

	Capital Improvement Fund	Cemetery Trust Fund	Cemetery Care Fund	Recoveries Account	Total Non-Major Funds
REVENUES					
Charges for services	\$ -	\$ 6,808	\$ -	\$ 46,859	\$ 53,667
Investment income	2	-	-	2	4
Miscellaneous	-	-	-	3,842	3,842
Total revenues	2	6,808	-	50,703	57,513
EXPENDITURES					
General government:					
General government	121,124	-	-	20,039	141,163
Total general government	121,124	-	-	20,039	141,163
Public safety and judiciary:					
Police	2,976	-	-	-	2,976
Fire	-	-	-	-	-
Total public safety and judiciary	2,976	-	-	-	2,976
Transportation:					
Street	14,521	-	-	-	14,521
Total transportation	14,521	-	-	-	14,521
Cultural, parks and recreation:					
Parks	-	-	-	-	-
Library	-	-	-	-	-
Swimming pool	-	-	-	-	-
Total cultural, parks and recreation	-	-	-	-	-
Cemetery:					
General cemetery	-	736	106	-	842
Total cemetery	-	736	106	-	842
Airport:					
Airport	6,350	-	-	-	6,350
Total airport	6,350	-	-	-	6,350
Healthcare:					
Nursing Center	-	-	-	-	-
Total healthcare	-	-	-	-	-
Capital expense	99,234	-	-	-	99,234
Total expenditures	244,205	736	106	20,039	265,086
Excess (deficiency) of revenues over expenditures	(244,203)	6,072	(106)	30,664	(207,573)
OTHER FINANCING SOURCES (USES)					
Transfers in/(out)	146,838	-	-	-	146,838
Total other financing sources and uses	146,838	-	-	-	146,838
Net change in fund balances	(97,365)	6,072	(106)	30,664	(60,735)
Fund balances - beginning	(14,202)	195,845	15,105	(61,690)	135,058
Fund balances - ending	\$ (111,567)	\$ 201,917	\$ 14,999	\$ (31,026)	\$ 74,323

City of Frederick, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2022

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
<u>REVENUES</u>					
Taxes	\$ 1,004,285	\$ 240,000	\$ 1,004,285	\$ 1,342,369	\$ 338,084
Licenses & permits	25,000	2,000	27,000	36,381	9,381
Fines and forfeitures	20,300	-	20,300	15,255	(5,045)
Charges for services	71,350	18,000	89,350	91,598	2,248
Intergovernmental	103,759	-	103,759	320,856	217,097
Interest	4,000	-	4,000	-	(4,000)
Other revenues	102,700	-	102,700	123,912	21,212
Total revenues	1,331,394	260,000	1,351,394	1,930,371	578,977
<u>EXPENDITURES</u>					
General government:					
General government	453,450	-	453,450	243,130	210,320
Total general government	453,450	-	453,450	243,130	210,320
Public safety and judiciary:					
Police	692,498	10,000	702,498	664,876	37,622
Dispatchers	90,000	-	90,000	-	90,000
Fire	722,501	30,000	752,501	696,689	55,812
Emergency Management	4,600	10,000	14,600	12,297	2,303
Total public safety and judiciary	1,509,599	50,000	1,559,599	1,373,862	185,737
Transportation:					
Street	280,514	15,000	295,514	309,965	(14,451)
Total transportation	280,514	15,000	295,514	309,965	(14,451)
Cultural, parks and recreation:					
Parks	68,512	10,000	78,512	61,642	16,870
Library	96,208	10,000	106,208	92,041	14,167
Total cultural, parks and recreation	164,720	20,000	184,720	153,683	31,037
Cemetery:					
General cemetery	150,453	15,000	165,453	150,907	14,546
Total cemetery	150,453	15,000	165,453	150,907	14,546
Total expenditures	2,558,736	100,000	2,658,736	2,231,547	427,189
Revenue over (under) expenditures	(1,227,342)	160,000	(1,307,342)	(301,176)	151,788
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers in/(out)	1,103,053	(160,000)	943,053	479,064	(463,989)
Net other financing sources (uses)	1,103,053	(160,000)	943,053	479,064	(463,989)
Revenues and other financing sources over (under) expenditures and other uses	(124,289)	-	(364,289)	177,888	(312,201)
Fund balance at beginning of year (Non-GAAP budgetary basis)				850,078	850,078
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 1,027,966	\$ 537,877
<u>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</u>					
Revenue and expense accruals				36,372	
Fund balance at end of year (GAAP basis)				\$ 1,064,338	

City of Frederick, Oklahoma
Airport Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>REVENUES</u>					
Rents and leases	\$ 40,000	\$ -	\$ 40,000	\$ 127,645	\$ 87,645
Charges for services	35,000	-	35,000	40,915	5,915
Other income	3,500	-	3,500	2,280	(1,220)
Total revenues	<u>78,500</u>	<u>-</u>	<u>78,500</u>	<u>170,840</u>	<u>93,560</u>
<u>EXPENDITURES</u>					
Operating expenses:					
Airport	137,382	160,000	297,382	203,311	94,071
Total Airport operating expenses	<u>137,382</u>	<u>160,000</u>	<u>297,382</u>	<u>203,311</u>	<u>94,071</u>
Revenue over (under) expenditures	(58,882)	(160,000)	(218,882)	(32,471)	(511)
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers in/(out)	58,882	160,000	218,882	157,264	(61,618)
Net other financing sources (uses)	<u>58,882</u>	<u>160,000</u>	<u>218,882</u>	<u>157,264</u>	<u>(61,618)</u>
Revenues and other financing sources over (under) expenditures and other uses	-	-	-	124,793	(62,129)
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>(220,307)</u>	<u>(220,307)</u>
Fund balance at end of year (Non-GAAP budgetary basis)				\$ (95,514)	<u>\$ (282,436)</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				448,804	
Fund balance at end of year (GAAP basis)				<u>\$ 353,290</u>	

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Police Pension Retirement Plan
Year Ended June 30, 2022

	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>
City's portion of the net pension liability (asset)	0.0646%	0.0657%	0.0716%	0.0840%
City's proportionate share of the net pension liability (asset)	\$ (309,867)	\$ 266,444	\$ (4,572)	\$ (40,028)
City's covered-employee payroll	\$ 168,561	\$ 215,314	\$ 219,957	\$ 232,914
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-184%	124%	-2%	-17%
Plan fiduciary net position as a percentage of the total pension liability	100.01%	99.99%	100.00%	100.00%

* The amounts presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Police Pension Retirement Plan

	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>
Contractually required contribution	\$ 21,913	\$ 27,867	\$ 28,594	\$ 30,279
Contributions in relation to the contractually required contribution	<u>(21,913)</u>	<u>(27,867)</u>	<u>(28,594)</u>	<u>(30,279)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 168,561	\$ 215,314	\$ 219,957	\$ 232,914
Contributions as a percentage of covered-employee payroll	13.00%	12.94%	13.00%	13.00%

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Fire Pension Retirement Plan
Year Ended June 30, 2022

	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>
City's portion of the net pension liability (asset)	0.110288%	0.108955%	0.106152%	0.112259%
City's proportionate share of the net pension liability (asset)	\$ 726,322	\$ 1,342,237	\$ 1,121,672	\$ 1,263,639
City's covered-employee payroll	\$ 357,028	\$ 340,686	\$ 357,705	\$ 345,529
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	203%	394%	314%	366%
Plan fiduciary net position as a percentage of the total pension liability	99.98%	99.97%	99.97%	99.97%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan

	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>
Contractually required contribution	\$ 49,894	\$ 47,724	\$ 48,423	\$ 45,477
Contributions in relation to the contractually required contribution	<u>(49,894)</u>	<u>(47,724)</u>	<u>(48,423)</u>	<u>(45,477)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 357,028	\$ 340,686	\$ 357,705	\$ 345,529
Contributions as a percentage of covered-employee payroll	13.97%	14.01%	13.54%	13.16%

Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
Oklahoma Municipal Retirement Plan
SINCE INITIAL APPLICATION

	2022*	2021*	2020*	2019*
Total pension liability				
Service cost	\$ 106,559	\$ 100,070	\$ 83,738	\$ 90,653
Interest	357,726	345,093	298,671	291,747
Changes in benefit terms	14,769	-	411,983	-
Differences between expected and actual experience	10,975	(55,890)	(49,565)	(83,258)
Changes in assumptions	-	-	68,541	-
Benefit payments, including refunds of employee contributions	(257,956)	(185,023)	(203,465)	(210,060)
Net change in total pension liability	\$ 232,073	\$ 204,250	\$ 609,903	\$ 89,082
Total pension liability - beginning	4,896,326	4,692,076	4,082,173	3,993,091
Total pension liability - ending (a)	<u>\$ 5,128,399</u>	<u>\$ 4,896,326</u>	<u>\$ 4,692,076</u>	<u>\$ 4,082,173</u>
Plan fiduciary net position				
Contributions - employer	132,212	143,902	142,348	132,695
Contributions - employee	44,036	47,930	47,413	44,198
Net investment income	1,248,911	180,925	282,557	283,819
Benefit payments, including refunds of employee contributions	(257,956)	(185,023)	(203,465)	(210,060)
Administrative expense	(9,255)	(9,046)	(8,445)	(7,968)
Other	-	-	-	-
Net change in plan fiduciary net position	1,157,948	178,688	260,408	242,684
Plan fiduciary net position - beginning	4,532,257	4,353,569	4,093,161	3,850,477
Plan fiduciary net position - ending (b)	<u>\$ 5,690,205</u>	<u>\$ 4,532,257</u>	<u>\$ 4,353,569</u>	<u>\$ 4,093,161</u>
City's net pension liability - ending (a) - (b)	<u>\$ (561,806)</u>	<u>\$ 364,069</u>	<u>\$ 338,507</u>	<u>\$ (10,988)</u>
Plan fiduciary net position as a percentage of the total pension liability	110.95%	92.56%	92.79%	100.27%
Covered-employee payroll	\$ 945,474	\$ 1,143,447	\$ 1,043,223	\$ 1,037,225
City's net pension liability as a percentage of covered-employee payroll	-59.42%	31.84%	32.45%	-1.06%

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Municipal Retirement Plan
Year Ended June 30, 2022

	2022*	2021*	2020*	2019*
City's portion of the net pension liability (asset)	0.9517%	0.7580%	0.7281%	0.7170%
City's proportionate share of the net pension liability (asset)	\$ (561,806)	\$ 364,069	\$ 338,507	\$ (10,988)
City's covered-employee payroll	\$ 945,474	\$ 1,143,447	\$ 1,043,223	\$ 1,037,225
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-59.42%	31.84%	32.45%	-1.06%
Plan fiduciary net position as a percentage of the total pension liability	109.87%	91.97%	92.22%	100.27%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Municipal Retirement Plan

	2022*	2021*	2020*	2019*
Actuarially determined contribution	\$ 132,212	\$ 143,902	\$ 142,348	\$ 132,695
Contributions in relation to the actuarially determined contribution	(132,212)	(143,902)	(142,348)	(132,695)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 945,474	\$ 1,143,447	\$ 1,043,223	\$ 1,037,225
Contributions as a percentage of covered-employee payroll	13.98%	12.58%	13.65%	12.79%

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 City Council
City of Frederick, 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 Frederick, Oklahoma as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Frederick, Oklahoma's basic financial statements, and have issued our report thereon dated May 22, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Frederick, Oklahoma'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 City of Frederick, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Frederick, Oklahoma'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Frederick, Oklahoma'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. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-001.

City of Frederick, Oklahoma's Response to Findings

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Jana A. Walker, CPA, PLLC".

Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
May 22, 2023

**City of Frederick, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2022**

FINDING 2022-001 Lack of Timely Filed Audit

Condition: Audit report issued after allotted 150 days from year end.

Criteria: In accordance with the Oklahoma Water Resource Board loan agreement, Article II, 2.7(D)(4) the City shall furnish copies of the reports of the financial audit within 150 days after the end of each fiscal year.

Cause: Late filing of prior year audits.

Effect or Potential Effect: Debt covenant violation.

Recommendation: Ensure records are available for inspection subsequent to year end.

Response: Management will make arrangements to have their records inspected quicker after year end to ensure the timely completion of an audit.

City of Frederick, Oklahoma
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2022

FINDING 2021-001 Lack of Timely Filed Audit

Condition: Audit report issued after allotted 150 days from year end.

Criteria: In accordance with the Oklahoma Water Resource Board loan agreement, Article II, 2.7(D)(4) the City shall furnish copies of the reports of the financial audit within 150 days after the end of each fiscal year.

Cause: Late filing of prior year audits.

Effect or Potential Effect: Debt covenant violation.

Recommendation: Ensure records are available for inspection subsequent to year end.

Current Status: Reported as Finding 2022-001.