

**CITY OF HEALDTON, OKLAHOMA
HEALDTON, OKLAHOMA**

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORTS**

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

CITY OF HEALDTON, OKLAHOMA

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Healdton, 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 Healdton, 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 Healdton, 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 Healdton, 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 Healdton, 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 Healdton, 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 Healdton, 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 Healdton, Oklahoma's ability to continue as a going concern for a reasonable period of time.

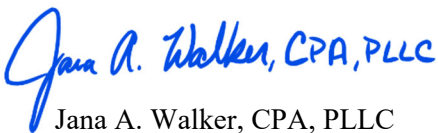
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4–11 and 34–37 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2023, on our consideration of the City of Healdton, 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 Healdton, 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 Healdton, Oklahoma's internal control over financial reporting and compliance.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
February 10, 2023

Within this section, the City of Healdton's ("City") management provides narrative discussion and analysis of the financial performance of the City's 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 SUMMARY

- At June 30, 2022, the assets of the City exceeded its liabilities by \$6,192,191 (net position). This compares to the previous year when assets and deferred outflows exceeded liabilities and deferred inflows by \$5,412,490.
- Total liabilities of the City for the fiscal year were \$1,630,922, mainly consisting of \$1.2 million in debt held by the City.
- The City's total net position are comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$2,991,334 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 \$1,798,781.
 - (3) Unrestricted net position of \$1,402,076 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported a total ending fund balance of \$2,105,928. This compared to prior year ending fund balance of \$1,428,989, showing an increase of \$676,939 or 47%.

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 and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resources available and whether the City can continue to meet its objectives in the foreseeable future. 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 and can be used to assess the City's operating results in its entirety and analyze how the City's programs are financed. 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 includes general government; public safety and judiciary; transportation; and

cultural, parks, and recreation. Business-types activities include utility services, including water, sewer, 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). 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.

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 increased 21% between fiscal years 2021 and 2022.

	Summary of Net Position							
	Governmental Activities		Business-Type Activities		Totals		Change	
	2022	2021	2022	2021	2022	2021	\$	%
Current assets	\$ 1,402,287	\$ 944,238	\$ 1,046,599	\$ 978,427	\$ 2,448,886	\$ 1,922,665	\$ 526,221	27%
Restricted assets	1,139,338	947,836	744,083	772,592	1,883,421	1,720,428	162,993	9%
Pension asset	190,082	-	-	-	190,082	-	190,082	#DIV/0!
Capital assets, net	1,652,243	2,567,060	1,913,554	1,032,954	3,565,797	3,600,014	(34,217)	-1%
Total assets	4,383,950	4,459,134	3,704,236	2,783,973	8,088,186	7,243,107	845,079	12%
Deferred outflows	63,635	142,564	-	-	63,635	142,564	(78,929)	-55%
Current liabilities	435,697	463,085	(195,691)	(280,998)	240,006	182,087	57,919	32%
Liabilities Payable from Restricted Assets	-	-	263,113	259,770	263,113	259,770	3,343	1%
Non-current liabilities	17,376	196,376	1,110,427	1,283,452	1,127,803	1,479,828	(352,025)	-24%
Total liabilities	453,073	659,461	1,177,849	1,262,224	1,630,922	1,921,685	(290,763)	-15%
Deferred inflows	328,708	51,496	-	-	328,708	51,496	277,212	538%
Net investment in capital assets	1,652,243	2,567,060	1,339,091	324,704	2,991,334	2,891,764	99,570	3%
Restricted	1,139,338	947,836	659,443	684,902	1,798,781	1,632,738	166,043	10%
Unrestricted	874,223	375,845	527,853	512,143	1,402,076	887,988	514,088	58%
Total net position	\$ 3,665,804	\$ 3,890,741	\$ 2,526,387	\$ 1,521,749	\$ 6,192,191	\$ 5,412,490	\$ 1,135,842	21%

The City reported positive balances in total net position for both governmental and business-type activities, reporting \$3,665,804 and \$2,526,387, respectively. Total assets of the City increased 12% over the fiscal year. The change results from strong fiscal year performance as the liquid assets increased notably year over year.

Total liabilities of the City decreased 15% when compared to prior year. This change is related to payments made on long term debt held by the City, offset by an increase pension obligations over the fiscal year. The pension liability is determined by a third-party actuarial valuation and reported to the City on an annual basis.

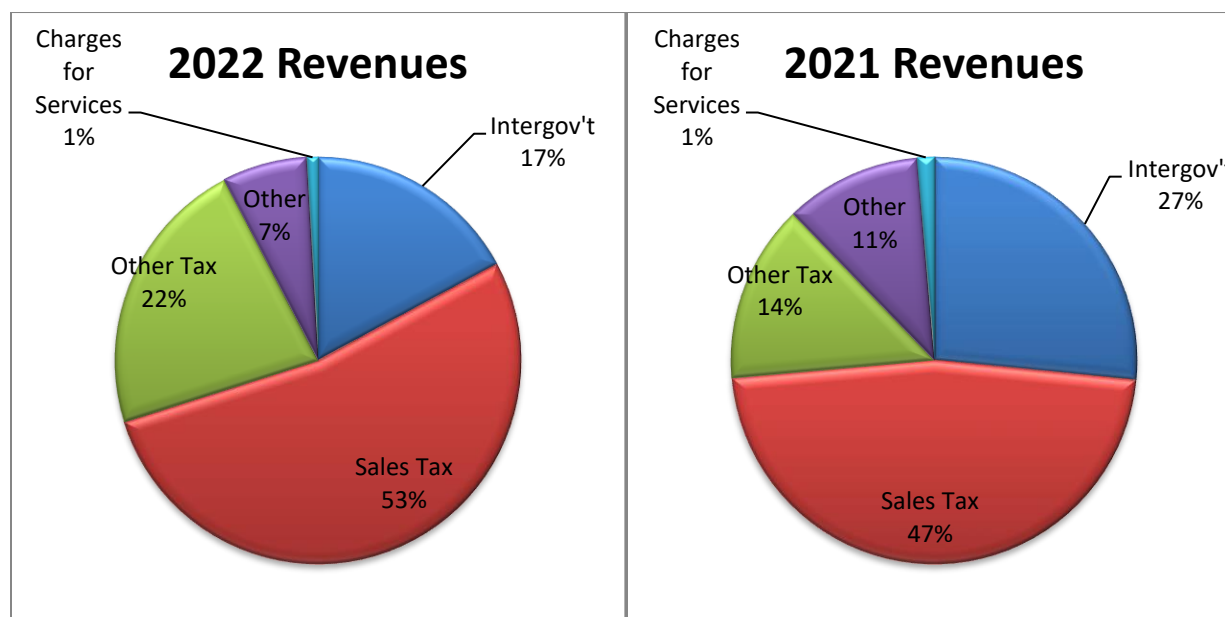
Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Totals		Change	
	2022	2021	2022	2021	2022	2021	\$	%
Revenues								
Program revenues	\$ 406,627	\$ 558,908	\$ 1,029,491	\$ 1,055,142	\$ 1,436,118	\$ 1,614,050	\$ (177,932)	-11%
Taxes and other general revenues	1,375,288	979,491	413,705	325,961	1,788,993	1,305,452	483,541	37%
Total revenues	1,781,915	1,538,399	1,443,196	1,381,103	3,225,111	2,919,502	305,609	10%
Expenses								
General government	308,104	244,480	-	-	308,104	244,480	63,624	26%
Public safety and judiciary	371,929	409,876	-	-	371,929	409,876	(37,947)	-9%
Transportation	301,507	259,054	-	-	301,507	259,054	42,453	16%
Cultural, parks, and recreation	86,281	75,328	-	-	86,281	75,328	10,953	15%
Water	-	-	399,445	323,877	399,445	323,877	75,568	23%
Sewer	-	-	151,208	145,085	151,208	145,085	6,123	4%
Sanitation	-	-	257,625	265,868	257,625	265,868	(8,243)	-3%
Customer service	-	-	569,311	590,537	569,311	590,537	(21,226)	-4%
Total expenses	1,067,821	988,738	1,377,589	1,325,367	2,445,410	2,314,105	131,305	6%
Excess (deficiency) before transfers	714,094	549,661	65,607	55,736	779,701	605,397	174,304	29%
Transfers	(939,031)	99,915	939,031	(99,915)	-	-	-	100%
Increase (decrease) in net position	\$ (224,937)	\$ 649,576	\$ 1,004,638	\$ (44,179)	\$ 779,701	\$ 605,397	\$ 174,304	29%

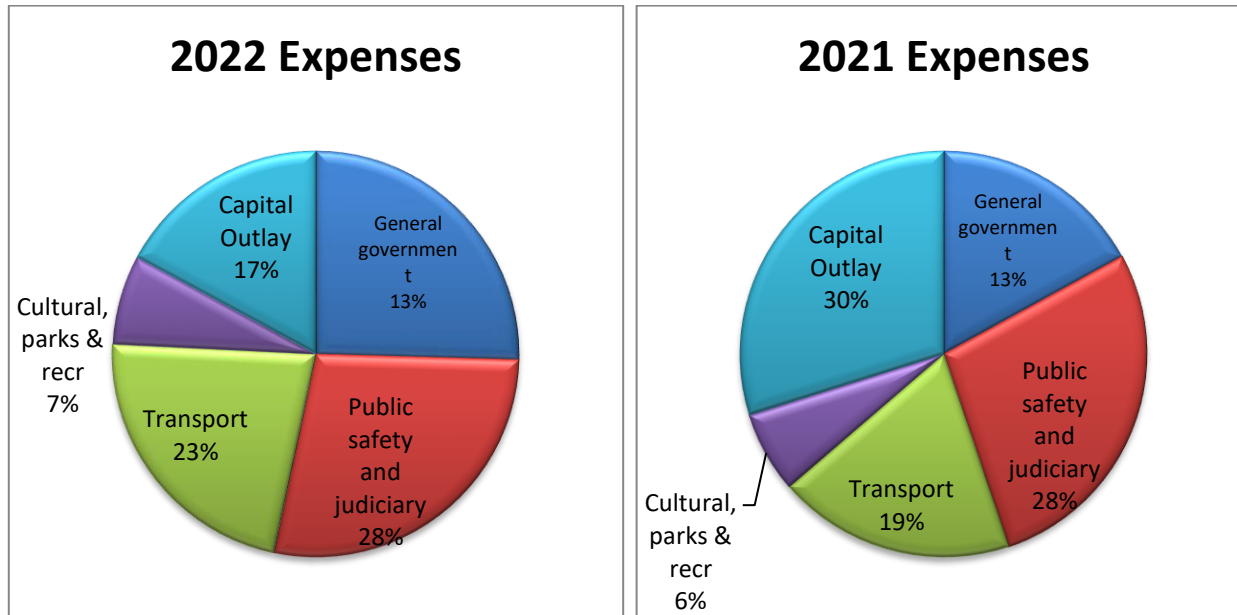
Revenues for the City for the fiscal year were over \$3 million , which is an increase of 10% when compared to prior year. This increase of \$484 thousand is the result of increases in tax income from the sales, use, and franchise taxes. Sales tax increased over \$283 thousand or 29%.

Operating expenses increased \$131 thousand or 6% over prior year. Water expenses increased \$75 thousand over prior year mainly due to depreciation recorded in the current year.

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

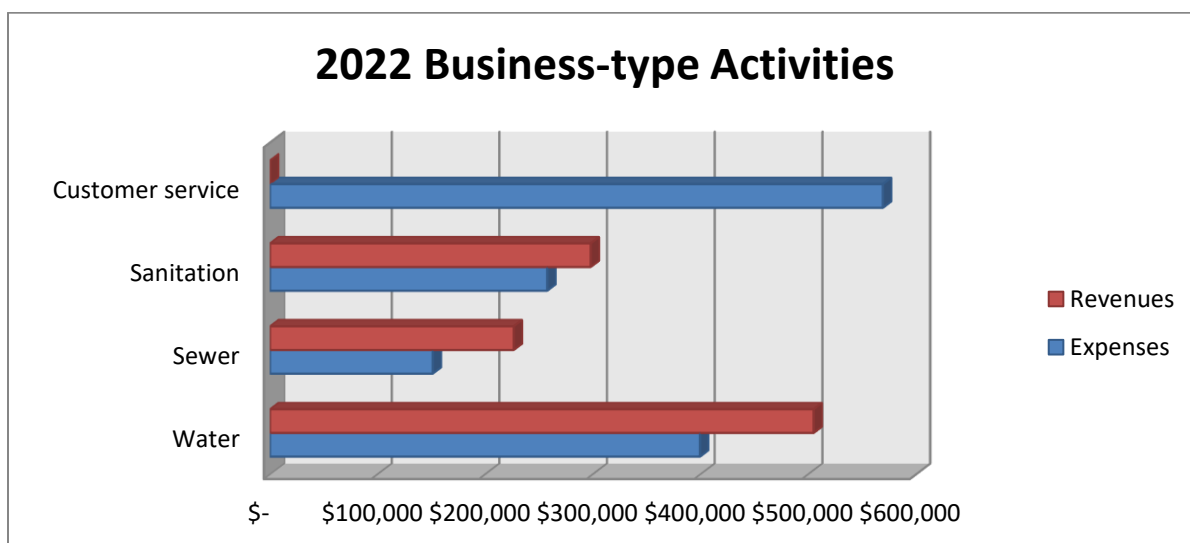


For the fiscal year 2022, the City saw a shift in allocation of revenues. Sales tax provided for 53% of the City's governmental revenues in fiscal year 2022, compared to 47%. Sales tax collections were strong in fiscal year 2022. Other tax revenues at 22% includes use, franchise, alcohol beverage and cigarette tax. Other revenues providing 7% of governmental revenue sources consist of fines and forfeitures, licenses and permits, donations, and rental income.



For the year ended June 30, 2022, total expenses for governmental activities were \$1,173,204, compared to \$1,192,424 in prior year. Expense allocations remained consistent between years. Public safety and judiciary with a cost of \$327,064, was the largest operating service department at 28% of the total cost of services for the City government, consistent with prior year at 28%. General government expenses at 25% were the next largest. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated, and capital assets are reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by the related services. Water, Sewer, and Sanitation 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 \$1,167,001, compared to \$1,167,001 in fiscal year 2021. The City reallocated budget between departments during the year; however, there was no increase in the approved budget amount. The General Fund budget complied with financial policies approved by the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2022, the City had \$2,991,334 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and water lines and sewer lines in business-type activities. Refer to the table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land and construction in process	\$ 871,541	\$ 1,043,409	\$ 251,618	\$ 10,000	\$ 1,123,159	\$ 1,053,409
Buildings	1,462,405	1,462,405	533,643	533,643	1,996,048	1,996,048
Infrastructure & improvements	1,229,204	1,184,903	-	-	1,229,204	1,184,903
Machinery & equipment	3,800,496	4,639,189	1,613,971	1,587,102	5,414,467	6,226,291
Utility property & improvements	-	-	20,914,863	19,921,786	20,914,863	19,921,786
Less Accumulated depreciation	(5,711,403)	(5,762,846)	(21,400,541)	(21,019,577)	(27,111,944)	(26,782,423)
Totals	\$ 1,652,243	\$ 2,567,060	\$ 1,913,554	\$ 1,032,954	\$ 3,565,797	\$ 3,600,014

The City added capital improvements to the airport runway, street improvements, tasers and cameras for the police department, a sewer vehicle, and a police vehicle, as well as other capital improvements.

Long-Term Debt

At year-end, the City had \$1,127,803 in noncurrent liabilities. The City's comparative noncurrent liabilities are as follows:

Primary Government Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Notes payable	-	-	438,452	455,880	438,452	455,880
Bonds payable	-	-	845,000	990,000	845,000	990,000
Pension liability	17,376	196,376	-	-	17,376	196,376
Subtotal	17,376	196,376	1,283,452	1,445,880	1,300,828	1,642,256
less current portion	-	-	(173,025)	(162,428)	(173,025)	(162,428)
Totals	\$ 17,376	\$ 196,376	\$ 1,110,427	\$ 1,283,452	\$ 1,127,803	\$ 1,479,828

ECONOMIC FACTORS AND NEXT YEARS'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 as well as providing a strong foot forward in the future of this community.

Next Year Budget

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 Clerk's Office at Healdton City Hall, 167 Franklin Street, Healdton, Oklahoma, 73438.

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

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 1,278,108	\$ 1,001,237	\$ 2,279,345
Accounts receivable (net)	180	12,344	12,524
Receivable from other governments	123,999	33,018	157,017
Total current assets	<u>1,402,287</u>	<u>1,046,599</u>	<u>2,448,886</u>
Restricted assets:			
Cash	1,139,338	708,989	1,848,327
Investments	-	35,094	35,094
Total restricted assets	<u>1,139,338</u>	<u>744,083</u>	<u>1,883,421</u>
Noncurrent Assets:			
Pension asset	190,082	-	190,082
Land and construction in progress	871,541	251,618	1,123,159
Other capital assets (net of accumulated depreciation)	780,702	1,661,936	2,442,638
Total noncurrent assets	<u>1,842,325</u>	<u>1,913,554</u>	<u>3,755,879</u>
Total assets	<u>4,383,950</u>	<u>3,704,236</u>	<u>8,088,186</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on pension obligations	<u>63,635</u>	<u>-</u>	<u>63,635</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 143,718	\$ 21,287	\$ 165,005
Payroll liabilities	27,425	29,551	56,976
Due from other funds	264,554	(264,554)	-
Notes payable, current	-	18,025	18,025
Total current liabilities	<u>435,697</u>	<u>(195,691)</u>	<u>240,006</u>
Liabilities payable from restricted assets:			
Accrued interest payable	-	23,473	23,473
Customer deposits payable	-	84,640	84,640
Bonds payable, current	-	155,000	155,000
Total liabilities payable from restricted assets	<u>-</u>	<u>263,113</u>	<u>263,113</u>
Noncurrent liabilities:			
Pension liability	17,376	-	17,376
Notes payable, non-current	-	420,427	420,427
Bonds payable, non-current	-	690,000	690,000
Total noncurrent liabilities	<u>17,376</u>	<u>1,110,427</u>	<u>1,127,803</u>
Total liabilities	<u>453,073</u>	<u>1,177,849</u>	<u>1,630,922</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pension obligations	<u>328,708</u>	<u>-</u>	<u>328,708</u>
NET POSITION			
Net investment in capital assets	1,652,243	1,339,091	2,991,334
Restricted	1,139,338	659,443	1,798,781
Unrestricted	874,223	527,853	1,402,076
Total net position	<u>\$ 3,665,804</u>	<u>\$ 2,526,387</u>	<u>\$ 6,192,191</u>

City of Healdton, 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	\$ 246,610	\$ 16,666	\$ 234,300	\$ -	\$ 4,356
Clerk-Treasurer	61,494	-	-	-	(61,494)
Total general government	<u>308,104</u>	<u>16,666</u>	<u>234,300</u>	<u>-</u>	<u>(57,138)</u>
Public safety and judiciary:					
Police	320,363	54,577	500	-	(265,286)
Legal and courts	12,030	-	-	-	(12,030)
Fire	24,357	-	-	-	(24,357)
Animal control	15,179	-	-	-	(15,179)
Total public safety and judiciary	<u>371,929</u>	<u>54,577</u>	<u>500</u>	<u>-</u>	<u>(301,673)</u>
Transportation:					
Streets	301,507	-	23,156	20,483	(257,868)
Airport	-	-	-	-	-
Total transportation	<u>301,507</u>	<u>-</u>	<u>23,156</u>	<u>20,483</u>	<u>(257,868)</u>
Cultural, parks and recreation:					
Parks	56,522	48,420	-	-	(8,102)
Cemetery	26,837	8,525	-	-	(18,312)
Library	2,922	-	-	-	(2,922)
Total cultural, parks and recreation	<u>86,281</u>	<u>56,945</u>	<u>-</u>	<u>-</u>	<u>(29,336)</u>
Total governmental activities	<u>1,067,821</u>	<u>128,188</u>	<u>257,956</u>	<u>20,483</u>	<u>(661,194)</u>
Business-type activities:					
Water	399,445	501,965	-	3,000	105,520
Sewer	151,208	226,516	-	-	75,308
Sanitation	257,625	298,010	-	-	40,385
Customer service	569,311	-	-	-	(569,311)
Total business-type activities	<u>1,377,589</u>	<u>1,026,491</u>	<u>-</u>	<u>3,000</u>	<u>(348,098)</u>
Total primary government	<u>\$ 2,445,410</u>	<u>\$ 1,154,679</u>	<u>\$ 257,956</u>	<u>\$ 23,483</u>	<u>\$ (1,009,292)</u>

(Continued)

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

Changes in Net Position

(Continued)

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (661,194)	\$ (348,098)	\$ (1,009,292)
General revenues:			
Taxes:			
Sales taxes	949,164	316,388	1,265,552
Use taxes	123,903	41,301	165,204
Franchise taxes	274,887	-	274,887
Cigarette taxes	10,038	-	10,038
Alcoholic beverage tax	19,366	-	19,366
Investment income	2,135	1,417	3,552
Penalties	-	39,708	39,708
Other Income	5,789	14,891	20,680
Change in pension obligations	(9,994)	-	(9,994)
Transfers-Internal activity	(939,031)	939,031	-
Total general revenues and transfers	<u>436,257</u>	<u>1,352,736</u>	<u>1,788,993</u>
Change in net position	(224,937)	1,004,638	779,701
Net position-beginning	3,890,741	1,521,749	5,412,490
Net position-ending	<u><u>\$ 3,665,804</u></u>	<u><u>\$ 2,526,387</u></u>	<u><u>\$ 6,192,191</u></u>

City of Healdton, Oklahoma
Balance Sheet
June 30, 2022

	General Fund	Water Plant Sales Tax Fund	Street Sales Tax Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,278,108	\$ -	\$ -	\$ 1,278,108
Restricted cash	24,225	765,905	349,208	1,139,338
Accounts receivable	180	-	-	180
Fines receivable, net of allowance	-	-	-	-
Receivable from other governments	92,391	15,804	15,804	123,999
Total assets	<u>\$ 1,394,904</u>	<u>\$ 781,709</u>	<u>\$ 365,012</u>	<u>\$ 2,541,625</u>
LIABILITIES				
Accounts payable	\$ 119,618	\$ -	\$ 24,100	\$ 143,718
Court bonds payable	-	-	-	-
Payroll liabilities	27,425	-	-	27,425
Due from other funds	264,554	-	-	264,554
Total liabilities	<u>411,597</u>	<u>-</u>	<u>24,100</u>	<u>435,697</u>
FUND BALANCES				
Restricted	24,225	781,709	340,912	1,146,846
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	959,082	-	-	959,082
Total fund balances	<u>983,307</u>	<u>781,709</u>	<u>340,912</u>	<u>2,105,928</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,394,904</u>	<u>\$ 781,709</u>	<u>\$ 365,012</u>	<u>\$ 2,541,625</u>
Total fund balance - total governmental funds				2,105,928
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 and, therefore, are not reported in the funds				
Capital assets			\$ 7,363,646	
Less: Accumulated depreciation			<u>(5,711,403)</u>	1,652,243
Long-term liabilities are not due and payable in the current period and are not reported in the funds				
Net pension asset			\$ 190,082	
Net pension liability			(17,376)	
Net deferred (inflows)/outflows			<u>(265,073)</u>	<u>(92,367)</u>
Net position of governmental activities				<u>\$ 3,665,804</u>

City of Healdton, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2022

	General Fund	Water Plant Sales Tax Fund	Street Sales Tax Funds	Total Governmental Funds
<u>REVENUES</u>				
Sales tax	\$ 632,776	\$ 158,194	\$ 158,194	\$ 949,164
Use tax	82,602	20,650	20,651	123,903
Franchise tax	274,887	-	-	274,887
Charges for services	15,869	-	-	15,869
Fines and forfeitures	54,577	-	-	54,577
Intergovernmental	307,343	-	-	307,343
License and permits	16,666	-	-	16,666
Interest income	1,121	737	277	2,135
Donations	500	-	-	500
Other Income	5,789	-	-	5,789
Rental income	41,076	-	-	41,076
Total revenues	<u>1,433,206</u>	<u>179,581</u>	<u>179,122</u>	<u>1,791,909</u>
<u>EXPENDITURES</u>				
General government:				
General government	236,990	-	-	236,990
Clerk-Treasurer	61,494	-	-	61,494
Total general government	<u>298,484</u>	<u>-</u>	<u>-</u>	<u>298,484</u>
Public safety and judiciary:				
Police	275,498	-	-	275,498
Legal and court	12,030	-	-	12,030
Fire	24,357	-	-	24,357
Animal control	15,179	-	-	15,179
Total public safety and judiciary	<u>327,064</u>	<u>-</u>	<u>-</u>	<u>327,064</u>
Transportation:				
Street	229,662	-	33,777	263,439
Airport	-	-	-	-
Total transportation	<u>229,662</u>	<u>-</u>	<u>33,777</u>	<u>263,439</u>
Cultural, parks and recreation:				
Parks	50,090	-	-	50,090
Cemetery	26,837	-	-	26,837
Library	2,922	-	-	2,922
Senior citizens	3,885	-	-	3,885
Total cultural, parks and recreation	<u>83,734</u>	<u>-</u>	<u>-</u>	<u>83,734</u>
Capital outlay	55,033	69,750	75,700	200,483
Total expenditures	<u>993,977</u>	<u>69,750</u>	<u>109,477</u>	<u>1,173,204</u>
Excess (deficiency) of revenues over expenditures	<u>439,229</u>	<u>109,831</u>	<u>69,645</u>	<u>618,705</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	58,243	-	-	58,243
Transfers out	-	(9)	-	(9)
Total other financing sources and uses	<u>58,243</u>	<u>(9)</u>	<u>-</u>	<u>58,234</u>
Net change in fund balance	497,472	109,822	69,645	676,939
Fund balances - beginning	485,835	671,887	271,267	1,428,989
Fund balances - ending	<u>\$ 983,307</u>	<u>\$ 781,709</u>	<u>\$ 340,912</u>	<u>\$ 2,105,928</u>

City of Healdton, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2022

(Continued)

Reconciliation of the change in fund balances - total governmental funds
to the change in net position of governmental activities:

Net change in fund balances - total governmental funds \$ 676,939

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 capitalized	200,483
Depreciation expense	(95,100)
Transfer of assets to business-type activities	(997,265)

In the statement of activities, the cost of pension benefits earned net of
employee contributions are reported as an component of pension expense.

The fund financial statements report pension contributions as expenditures. (9,994)

Change in Net Position of Governmental Activities	<u><u>\$ (224,937)</u></u>
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City of Healdton, Oklahoma
Statement of Net Position
June 30, 2022

	Healdton Municipal Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,001,237
Due from other governments	33,018
Accounts receivable (net)	12,344
Due from other funds	264,554
Total current assets	<u>1,311,153</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	708,989
Investments	35,094
Total restricted assets	<u>744,083</u>
Noncurrent assets:	
Capital assets (net)	1,913,554
Total noncurrent assets	<u>1,913,554</u>
Total assets	<u><u>\$ 3,968,790</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 21,287
Payroll liabilities	29,551
Notes payable, current	18,025
Total current liabilities	<u>68,863</u>
Liabilities payable from restricted assets:	
Customer deposits payable	84,640
Accrued interest payable	23,473
Bonds payable, current	155,000
Total liabilities payable from restricted assets	<u>263,113</u>
Noncurrent liabilities:	
Notes payable, non-current	420,427
Bonds payable, noncurrent	690,000
Total noncurrent liabilities	<u>1,110,427</u>
Total liabilities	<u>1,442,403</u>
NET POSITION	
Net investment in capital assets	1,339,091
Restricted	659,443
Unrestricted	527,853
Total net position	<u><u>\$ 2,526,387</u></u>

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

	Healdton Municipal Authority
<u>Operating revenues:</u>	
Charges for services:	
Water revenue	\$ 501,965
Sewer revenue	226,516
Sanitation revenue	298,010
Penalties	39,708
Total charges for services	1,066,199
Lease and rental income	-
Miscellaneous	14,891
Total operating revenues	1,081,090
<u>Operating expenses:</u>	
Personal services	\$ 494,545
Materials and supplies	131,943
Other services and charges	440,647
Depreciation and amortization	241,084
Total operating expenses	1,308,219
Net operating income	(227,129)
<u>Nonoperating revenue (expense):</u>	
Investment income	1,417
Sales tax	316,388
Use tax	41,301
Grant income	3,000
Bad debt	(3,711)
Interest expense	(65,659)
Total nonoperating revenue (expense)	292,736
Net income before contributions and transfers	65,607
Transfers from other funds	1,229,035
Transfers to other funds	(290,004)
Net transfers from (to) other funds	939,031
Change in net position	1,004,638
Net position-beginning of year	1,521,749
Net position-end of year	\$ 2,526,387

City of Healdton, Oklahoma
Statement of Cash Flows
Year Ended June 30, 2022

	Healdton Municipal Authority
<u>Cash flows from operating activities:</u>	
Receipts from customers/contracts	\$ 1,165,897
Payments to suppliers	(578,214)
Payments to employees	(489,256)
Net cash provided (used) by operating activities	98,427
<u>Cash flows from non-capital financing activities:</u>	
Transfers from other funds	1,229,035
Transfers to other funds	(290,004)
Residual equity transfer of assets	(997,268)
Non-capital funding	357,689
Net cash provided (used) by non-capital financing activities	299,452
<u>Cash flows from capital and related financing activities:</u>	
Purchase of capital assets	(124,416)
Principal paid on debt	(162,428)
Interest and fiscal charges paid on debt	(69,266)
Capital grant funding	3,000
Net cash provided (used) by capital and related financing activities	(353,110)
<u>Cash flows from investing activities:</u>	
(Purchase)/liquidation of investments, unrestricted	(8,033)
Net cash provided (used) by investing activities	(8,033)
Net increase (decrease) in cash and cash equivalents	36,736
Cash and cash equivalents, beginning of the year	1,673,490
Cash & cash equivalents, end of the year	\$ 1,710,226
Cash, including time deposits	\$ 1,001,237
Restricted cash, including time deposits	708,989
Total cash and cash equivalents, end of year	\$ 1,710,226
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>	
Operating income (loss)	\$ (227,129)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	241,084
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(238)
(Increase) decrease in intercompany balances	85,045
Increase (decrease) in accounts payable	(5,624)
Increase (decrease) in payroll liabilities	5,289
Total adjustments	325,556
Net cash provided (used) by operating activities	\$ 98,427

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent section of this note. The remainder of the notes is organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended June 30, 2022.

A. Reporting Entity

The accompanying financial statements present the City of Healdton and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Fund Types and Major Funds

Major Governmental Funds

General Fund

Reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Non-Major Governmental Funds

Water Plant Sales Tax Fund

Accounts for the expenditures of the .5% limited purpose sales tax.

Street Sales Tax Fund

Accounts for the expenditures of the .5% limited purpose sales tax.

Major Proprietary Funds

Healdton Municipal Authority

Established in August 1975 under Title 60 of the Oklahoma State Statutes. Accounts for the operating activities of the water, sewer, and sanitation utilities of the City as well as 1 cent of sales tax restricted for debt service (1/2 cent) and operations (1/2 cent). The City Council acts as the Board of Trustees.

Related Organization

Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the respective organization.

Healdton Municipal Hospital Authority

Established in January 2001 under Title 60 to provide hospital and public health services and facilities. The Board consists of 9 members, 7 trustees are the same persons who are members of the Healdton Municipal Hospital Board and 2 trustees are members of the City Council of the City of Healdton. The Councils appoints all seven members of the Healdton Municipal Hospital Board.

Excluded Component Unit

Healdton Industrial Authority

Established in March 1996 to promote development of industry, culture, industrial, manufacturing, cultural and educational activities within and outside the territorial limits of the City. The Authority was audited by another auditor for the year ended June 30, 2022. The Authority is excluded from the financial reporting entity because the Authority's audit was not completed at the time of the issuance of this report.

B. Basic Financial Statements

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.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns.

Measurement Focus and Basis of Accounting

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 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.

C. Budget Policy and Practice

Budget Approval

The City Clerk 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 Clerk 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.

Basis of Budgeting

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.

D. Policies Related to Assets, Liabilities, and Fund 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.

Accounts Receivable

Significant receivables include sales and use tax receivables and amount due from customers primarily for utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days.

Restricted Assets

Restricted assets include assets legally restricted for capital projects funded through long-term debt, debt service revenues, and customer meter deposits. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

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.

Interfund Balances

Generally, outstanding balances between funds reported as 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.

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 \$1,500.

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	20 years
• Other improvements	15-25 years
• Machinery, furniture & equipment	3-15 years
• Infrastructure	15-20 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

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees to specified maximums. Generally, after one year of services, employees are entitled to a maximum of 80 hours of vacation leave upon termination. The estimated liabilities include required salary-related payments.

Fund Equity

Fund Balance

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

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.

Invested in capital assets, net of related debt

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 meeting the criteria of "restricted" or "invested in capital assets, net of related debt".

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

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 Commission, the City'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

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.

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

E. Policies Related to Revenues and Expenses

Program Revenues

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

General Revenues

General revenues reported with governmental activities include tax revenues and unrestricted investment income.

Sales Tax

The City levied a 4% 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. A portion of the sales tax received is restricted as to the use. The unrestricted portion (2%) is recorded as sales tax revenue within the General Fund; the remaining 2% is restricted and allocated 0.5% to the Water Sales Tax Fund, 0.5% Street Sales Tax fund, and 1% to the Healdton Municipal Authority.

(2) ASSETS AND LIABILITIES

A. Assets

Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The City invests primarily in certificates of deposit.

Receivables and Uncollectable Amounts

Significant receivables for business-type receivables consist mainly of amount due from customers primarily for utility services. The City reports accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using balances past due greater than 60 days. At June 30, 2022, the City has estimated an allowance of \$267,806.

Capital Assets

Changes in Capital Assets

	<u>Balance at July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2022</u>
<u>Governmental Activities</u>				
Land	\$ 1,043,409	\$ -	\$ 171,868	\$ 871,541
Buildings & structures	1,462,405	-	-	1,462,405
Machinery, furniture, & equipment	1,184,903	44,301	-	1,229,204
Infrastructure and improvements	4,639,189	156,182	994,875	3,800,496
 Total	 8,329,906	 200,483	 1,166,743	 7,363,646
Less accumulated depreciation	5,762,846	95,100	146,543	5,711,403
 Fixed assets, net	 <u>\$ 2,567,060</u>	 <u>\$ 105,383</u>	 <u>\$ 1,020,200</u>	 <u>\$ 1,652,243</u>

CITY OF HEALDTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
<i><u>Business-type Activities</u></i>				
Land and construction in process	\$ 10,000	\$ 241,618	\$ -	\$ 251,618
Buildings & structures	533,643	-	-	533,643
Machinery, furniture, & equipment	1,587,102	26,869	-	1,613,971
Utility property and improvements	19,921,786	993,077	-	20,914,863
 Total	 22,052,531	 1,261,564	 -	 23,314,095
Less accumulated depreciation	21,019,577	380,964	-	21,400,541
 Fixed assets, net	 <u>\$ 1,032,954</u>	 <u>\$ 880,600</u>	 <u>\$ -</u>	 <u>\$ 1,913,554</u>

Depreciation Expense

Depreciation expense charges to governmental activities:

General government	\$ 5,717
Public Safety	44,865
Transportation	38,086
Cultural, parks & recreation	6,432
 Total governmental activities depreciation expense	 <u>\$ 95,100</u>

Depreciation expense charges to business-type activities:

Water	141,532
Sewer	33,254
Administration	66,298
 Total business-type activities depreciation expense	 <u>\$ 241,084</u>

B. Liabilities

Notes and Bonds Payable

Business-type Activities

Loan payable to Oklahoma Water Resource Board issued in fiscal year 2013 with an original balance of \$582,541 payable in semi-annual installments due March 15 and September 15. Loan carries an interest rate of 3.35% plus an admin fee, maturing March 2040. Proceeds were used to construct improvements to the water system. \$ 438,452

Healdton Municipal Authority Series 2007 Utility System Revenue Bonds issued in fiscal year 2008 with an original balance of \$2,385,000 carrying an interest rate of 4.8%, maturing January 2027. Bonds were issued as an advanced refunding of the 2003 Series Utility Revenue Bonds whose proceeds were used to finance water and wastewater improvements 845,000

\$ 1,283,452

Changes in Long-Term Debt

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>Notes Payable</i>					
Oklahoma Water Resource Board	\$ 455,880	\$ -	\$ 17,428	\$ 438,452	\$ 18,025
<i>Bonds Payable</i>					
Revenue bonds payable	990,000	-	145,000	845,000	155,000
Total business-type activities	<u>\$ 1,445,880</u>	<u>\$ -</u>	<u>\$ 162,428</u>	<u>\$ 1,283,452</u>	<u>\$ 173,025</u>

Annual Debt Service Requirements

Year Ending June 30	Business-type	
	Bonds Payable	
	Principal	Interest
2023	173,025	53,503
2024	178,604	45,364
2025	189,279	36,888
2026	194,940	28,068
2027	205,623	12,145
2028-2032	114,148	49,688
2033-2037	135,129	28,707
2038-2040	92,704	5,596
Totals	<u>\$ 1,283,452</u>	<u>\$ 259,959</u>

(3) REVENUES AND EXPENSES

Interfund Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Water Plant Sales Tax	\$ 8	\$ -
Municipal Authority	58,236	-
Total General Fund	<u>58,244</u>	<u>-</u>
WATER PLANT SALES TAX		
General Fund	-	8
Municipal Authority	-	-
Total Water Plant Sales Tax	<u>-</u>	<u>8</u>
MUNICIPAL AUTHORITY		
General Fund	231,767	290,003
Water Plant Sales Tax	-	-
Total Municipal Authority	<u>231,767</u>	<u>290,003</u>
GRAND TOTAL	<u>\$ 290,011</u>	<u>\$ 290,011</u>

(4) PENSION AND POST-EMPLOYMENT PLANS

The City participates in two employee pension systems as follows:

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

A. Oklahoma Municipal Retirement Fund

Plan Description

Substantially all of the City's regular, full time employees, with the exception of police officers and firefighters, participate in a defined contribution plan administered by the Oklahoma Municipal Retirement System (OMRF), a statewide fund established to administer pension plans for municipal employees. The defined contribution plan is funded through contributions as elected by each municipality. Participants are required to participate 6% of their covered compensation. The City contributed 10.29% of covered compensation for fiscal year 2022. Participants are permitted to make voluntary deductible contributions to the plan. OMRF issues a publicly available financial report that can be obtained at www.okmrf.org.

The funds are credited to individual participant accounts and pooled for investment purposes through OMRF. All gains and/or losses are credited directly to each participant. Benefits vest after 10 years of service with normal retirement at age 65 and early retirement at age 55 with 10 years or more of service. Upon retirement, termination of employment, disability, or death, the vested portion of a participant's account is paid to the participant or beneficiary. This amount is based on an accumulation of employee and employer contributions, forfeitures, if applicable, and earnings or losses.

Benefits Provided

OMRF provides retirement, disability, and death benefits. Retirement benefits are determined as 3 percent of the employee's final average compensation multiplied by the employee's years of service; final average compensation is the average of the 5 highest consecutive years of salaries out of the last 10 years of service. Vesting requires 7 years of service. Members are eligible for normal retirement at age 65 with 7 years of vested service. The benefit is payable immediately. Early retirement is available after age 55 with 7 years of vested service. Early retirement benefits are paid at the normal retirement age, or reduced 5% per year for commencement prior to the normal retirement age.

Disability retirement is provided for member's total and permanent disability after 7 or more years of service. The accrued benefit is payable upon disablement without reduction for early payment.

CITY OF HEALDTON, OKLAHOMA
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In-service death benefits are payable after vesting at 50% of the accrued benefit until the death of the spouse or remarriage. If the member was not vested at the time of in-service death, member contributions are returned, if any, with interest.

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

At June 30, 2022, the City reported an asset of \$190,082 for its proportionate share of the net pension liability. The net pension net pension liability was measured as of July 1, 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.

Changes to the actuarial valuation between the measurement date of the net pension liability and the City's reporting dates are not expected to have a significant effect on the net pension liability.

For the year ended June 30, 2022, the City recognized pension expense of \$(12,186).

At June 30, 2022, the City 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	\$ 968	\$ 48,403
Changes of assumptions	11,436	-
Net difference between projected and actual earnings on pension plan investments	35,323	264,093
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	54,424	-
Total	\$ 102,151	\$ 312,496

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

Year ended June 30:		
2023	\$	(63,796)
2024		(64,483)
2025		(64,942)
2026		(71,548)
2027		-

Actuarial assumptions: The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	5.07 percent, average
Investment rate of return	7.75 percent, net of pension plan investment expense and inflation

Mortality rates were based on the UP 1994 with projected mortality improvement. Valuation rates are projected for mortality improvement by the Society of Actuaries' table AA based upon the employee's year of birth.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period ended July 1, 2012 through 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 (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:

CITY OF HEALDTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks - S&P 500	25%	5.80%	1.35%
Small/mid cap stocks - Russell 2500	10%	6.40%	0.75%
Long/short equity - MSCI ACWI	10%	5.00%	0.61%
International stocks - MSCI EAFE	20%	6.20%	1.02%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.30%	0.78%
Real estate - NCREIF	5%	4.60%	0.24%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	100%		
Average Real Return			4.75%
Inflation			2.75%
Long term expected return			7.50%

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent, as 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 the member's working career. 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. Therefore, no separate cash flow projection is required to determine the sufficiency of the plan assets. The 20 year tax free bond yield of 3.29% was used in the analysis.

Changes in the Net 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:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability/(asset)	28,748	(190,082)	(375,648)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OMRF financial report.

B. Oklahoma Firefighters Pension and Retirement System

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

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

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

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

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average

CITY OF HEALDTON, OKLAHOMA
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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 \$1,200 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported a liability of \$17,376 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2021. Based upon this information the City's proportion was 0.00227%.

For the year ended June 30, 2022, the City recognized pension expense of \$1,507. At June 30, 2022, the City 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	\$ 6,302	\$ 305
Changes of assumptions	-	385
Net difference between projected and actual earnings on pension plan investments	1,709	15,522
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	1,200	-
Total	\$ 9,211	\$ 16,212

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

Year ended June 30:		
2022	\$	(1,283)
2023		(1,627)
2024		(2,020)
2025		(3,270)
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.

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%	4.90%
Domestic equity	37%	7.07%
International equity	20%	9.19%
Real Estate	10%	7.99%
Other assets	13%	5.57%

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	\$ 27,159	\$ 17,376	\$ 9,192

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.

(5) 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.

City of Healdton, Oklahoma
General Fund
Year Ended June 30, 2022
Budget and Actual (Non-GAAP Budgetary Basis)

	Approved Budget	Actual	Variance - Favorable (Unfavorable)
<u>REVENUES</u>			
Tax revenue	\$ 564,000	\$ 990,265	\$ 426,265
Licenses and permits	3,650	16,666	13,016
Charges for services	51,500	15,869	(35,631)
Fines and forfeitures	97,500	54,577	(42,923)
Other Income	371,375	314,753	(56,622)
Rental Income	-	41,076	41,076
Total revenues	<u>1,088,025</u>	<u>1,433,206</u>	<u>345,181</u>
<u>EXPENDITURES</u>			
Current:			
General government:			
General government	320,370	295,908	24,462
Clerk-Treasurer	116,322	61,494	54,828
Total general government	<u>436,692</u>	<u>357,402</u>	<u>79,290</u>
Public safety and judiciary:			
Police	299,815	275,498	24,317
Legal and courts	16,600	12,030	4,570
Fire	43,500	24,357	19,143
Animal control	52,532	15,179	37,353
Total public safety and judiciary	<u>412,447</u>	<u>327,064</u>	<u>85,383</u>
Transportation:			
Street	213,402	229,662	(16,260)
Airport	20,000	-	20,000
Total transportation	<u>233,402</u>	<u>229,662</u>	<u>3,740</u>
Cultural, parks and recreation:			
Parks	49,210	50,090	(880)
Cemetery	31,250	26,837	4,413
Library	4,000	2,922	1,078
Total cultural, parks and recreation	<u>84,460</u>	<u>79,849</u>	<u>4,611</u>
Total expenditures	<u>1,167,001</u>	<u>993,977</u>	<u>173,024</u>
Revenue over (under) expenditures	(78,976)	439,229	172,157
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in/(out)	150,000	58,243	(91,757)
Net other financing sources (uses)	<u>150,000</u>	<u>58,243</u>	<u>(91,757)</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ 71,024</u>	497,472	80,400
Fund balance at beginning of year (Non-GAAP budgetary basis)		689,432	689,432
Fund balance at end of year (Non-GAAP budgetary basis)		\$ 1,186,904	<u>\$ 769,832</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES			
Revenue and expenditure accruals		(203,597)	
Fund balance at end of year (GAAP basis)		<u>\$ 983,307</u>	

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>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>
City's portion of the net pension liability (asset)	0.0033%	0.0046%	0.0029%	0.0023%	0.0026%
City's proportionate share of the net pension liability (asset)	\$ 41,721	\$ 51,905	\$ 30,753	\$ 27,961	\$ 17,376
City's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	100.00%	100.00%	100.00%	100.00%	100.00%

* 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>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>
Contractually required contribution	\$ 1,180	\$ 1,260	\$ 1,260	\$ 1,200	\$ 1,200
Contributions in relation to the contractually required contribution	<u>(1,180)</u>	<u>(1,260)</u>	<u>(1,260)</u>	<u>(1,200)</u>	<u>(1,200)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

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

	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>
Total pension liability					
Service cost	\$ 50,235	\$ 69,724	\$ 56,720	\$ 77,127	\$ 75,073
Interest	107,473	112,708	119,819	125,087	131,905
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	3,708	19,408	(39,087)	(18,353)	(28,519)
Changes in assumptions	42,871	-	30,708	-	-
Benefit payments, including refunds of employee contributions	(66,989)	(110,287)	(103,642)	(91,980)	(93,956)
Net change in total pension liability	<u>\$ 137,298</u>	<u>\$ 91,553</u>	<u>\$ 64,518</u>	<u>\$ 91,881</u>	<u>\$ 84,503</u>
Total pension liability - beginning	<u>1,419,618</u>	<u>1,556,916</u>	<u>1,648,469</u>	<u>1,712,987</u>	<u>1,804,868</u>
Total pension liability - ending (a)	<u><u>\$1,556,916</u></u>	<u><u>\$1,648,469</u></u>	<u><u>\$1,712,987</u></u>	<u><u>\$1,804,868</u></u>	<u><u>\$1,889,371</u></u>
Plan fiduciary net position					
Contributions - employer	45,517	51,577	50,725	61,670	57,831
Contributions - employee	29,621	30,701	29,578	31,358	30,384
Net investment income	155,913	105,082	102,224	65,304	452,500
Benefit payments, including refunds of employee contributions	(66,989)	(110,287)	(103,642)	(91,980)	(93,956)
Administrative expense	(2,721)	(2,926)	(3,058)	(3,258)	(3,759)
Other	-	-	-	-	-
Net change in plan fiduciary net position	<u>161,341</u>	<u>74,147</u>	<u>75,827</u>	<u>63,094</u>	<u>443,000</u>
Plan fiduciary net position - beginning	<u>1,262,044</u>	<u>1,423,385</u>	<u>1,497,532</u>	<u>1,573,359</u>	<u>1,636,453</u>
Plan fiduciary net position - ending (b)	<u><u>\$1,423,385</u></u>	<u><u>\$1,497,532</u></u>	<u><u>\$1,573,359</u></u>	<u><u>\$1,636,453</u></u>	<u><u>\$2,079,453</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$ 133,531</u></u>	<u><u>\$ 150,937</u></u>	<u><u>\$ 139,628</u></u>	<u><u>\$ 168,415</u></u>	<u><u>\$ (190,082)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	91.42%	90.84%	91.85%	90.67%	110.06%
Covered-employee payroll	\$ 565,291	\$ 400,846	\$ 517,775	\$ 549,133	\$ 443,125
City's net pension liability as a percentage of covered-employee payroll	23.62%	37.65%	26.97%	30.67%	-42.90%

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

	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>
City's portion of the net pension liability (asset)	0.2914%	3.5907%	3.7725%	3.9238%	4.9860%
City's proportionate share of the net pension liability (asset)	\$ 133,531	\$ 150,937	\$ 139,628	\$ 168,415	\$ (190,082)
City's covered-employee payroll	\$ 565,291	\$ 400,846	\$ 517,775	\$ 549,133	\$ 443,125
City's proportionate share of the net pension liability (asset) as a percentage of its covered-er	23.62%	37.65%	26.97%	30.67%	-42.90%
Plan fiduciary net position as a percentage of the total pension liability	90.62%	89.92%	91.13%	89.71%	109.14%

* 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

	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>
Actuarially determined contribution	\$ 45,517	\$ 51,577	\$ 50,725	\$ 63,031	\$ 54,424
Contributions in relation to the actuarially determined contribution	<u>(45,517)</u>	<u>(51,577)</u>	<u>(50,725)</u>	<u>(63,031)</u>	<u>(54,424)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 565,291	\$ 400,846	\$ 517,775	\$ 549,133	\$ 443,125
Contributions as a percentage of covered-employee payroll	8.05%	12.87%	9.80%	11.48%	12.28%

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 Healdton, 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 City of Healdton, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Healdton, Oklahoma's basic financial statements, and have issued our report thereon dated February 10, 2023.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Healdton, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
February 10, 2023