



CITY OF HARRAH, OKLAHOMA

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

CITY OF HARRAH, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

City Council

Danny Trent
Bernadette Klimkowski
Tim Rudek
Jeff Brzozowski
Steve Scalzo

Mayor
Councilman
Councilman
Councilman
Councilman

Michele Cogdill

Finance Director

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**INDEPENDENT AUDITOR'S
REPORT**



DILLON & ASSOCIATES, PC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Harrah, 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 Harrah, Oklahoma (“the City”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, 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 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, which raise substantial doubt about the City’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.

INDEPENDENT AUDITOR'S REPORT - Continued

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'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, which raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the pension plan information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial

INDEPENDENT AUDITOR'S REPORT - Continued

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's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, debt service coverage schedules, and schedules of expenditures of federal and state awards information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the debt service coverage schedules 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 August 31, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Dillon & Associates, PC

Midwest City, Oklahoma
August 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
City of Harrah, Oklahoma
June 30, 2023

As management of the City of Harrah, we offer readers this narrative overview and analysis of the financial activities of the City of Harrah for the fiscal year ended June 30, 2023. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL AND ACTIVITY HIGHLIGHTS

- The City's total net position increased by \$2,248,708 and the assets of the City exceeded its liabilities \$18,068,877 (net position). Of this amount, \$7,590,181 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- On June 30, 2023, the City's governmental funds reported combined ending fund balances of \$4,688,439. Of this total amount, \$3,683,597 is available for spending at the government's discretion (unassigned fund balance).
- At the end of fiscal year 2023, unassigned fund balance for the General Fund was \$3,683,597, or approximately 83.9% of total General Fund expenditures and transfers.
- Sales and use taxes totaled \$4,183,008, an increase of \$282,792 or 7.2% over the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Harrah (the "City") and its component unit the Harrah Public Works Authority (HPWA) using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for two categories of activities - governmental and business-type activities. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type of activities separately and combined. These statements include all of the assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt), along with any inflows and outflows that are deferred.

Management's Discussion and Analysis
City of Harrah, Oklahoma
June 30, 2023

REPORTING ON THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined, or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report on the City's net position and changes in net position from the prior year. You can think of the City's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether the financial position of the City is improving, deteriorating, or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- Governmental activities - Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities - The City's activities that charge a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer and sanitation utilities are reported here.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Management's Discussion and Analysis
City of Harrah, Oklahoma
June 30, 2023

Fund Financial Statements - Continued

Governmental funds - Most of the City's basic services are reported in governmental funds. Governmental fund financial statements are prepared on the modified accrual basis. Under the modified accrual basis, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term debt and other similar items which are recorded when due. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basis of service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to the Government-Wide financial statements are explained in a reconciliation following each Government Fund financial statement.

Proprietary fund - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the City's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

The City uses enterprise funds to account for its water, sewer, and sanitation utility operations.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The notes to the Financial Statements can be found following the Statement of Cash Flows for Proprietary Funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET POSITION

The City's combined net position increased from \$15,820,169 to \$18,068,877 between fiscal years 2021-22 and 2022-23. Looking at the net position of governmental and business-type activities separately, governmental activities increased \$1,429,500 primarily due to growing sales and use taxes and grant proceeds.

The net position for business-type activities increased by \$819,208 primarily due to City transfers to the Public Works Authority and capital assets purchased by governmental activities for the benefit of the Authority.

Management's Discussion and Analysis
City of Harrah, Oklahoma
June 30, 2023

NET POSITION - Continued

A comparative, condensed presentation of net position is as follows:

Table 1
Net Position (In Thousands)

	Governmental			Business-type			Total		
	Activities		% Inc.	Activities		% Inc.	Primary Government		% Inc.
	2023	2022	(Dec.)	2023	2022	(Dec.)	2023	2022	(Dec.)
Current and other assets	\$ 5,757	4,402	31%	7,213	9,921	-27%	12,970	14,323	-9%
Capital assets	4,396	4,307	2%	17,648	14,510	22%	22,044	18,817	17%
Total assets	<u>10,153</u>	<u>8,709</u>	17%	<u>24,861</u>	<u>24,431</u>	2%	<u>35,014</u>	<u>33,140</u>	6%
Deferred outflow of resources	<u>1,820</u>	<u>1,296</u>		<u>640</u>	<u>231</u>		<u>2,460</u>	<u>1,527</u>	
Long-term debt outstanding	2,351	1,578	49%	15,054	14,874	1%	17,405	16,452	6%
Other liabilities	972	730	33%	488	589	-17%	1,460	1,319	11%
Total liabilities	<u>3,323</u>	<u>2,308</u>	44%	<u>15,542</u>	<u>15,463</u>	1%	<u>18,865</u>	<u>17,771</u>	6%
Deferred inflow of resources	<u>210</u>	<u>687</u>		<u>330</u>	<u>389</u>		<u>540</u>	<u>1,076</u>	
Net assets:									
Invested in capital assets, net of debt	3,587	2,377	51%	5,712	5,890	-3%	9,299	8,267	12%
Restricted	1,005	606	66%	175	172	2%	1,180	778	52%
Unrestricted (deficit)	3,848	4,027	-4%	3,742	2,748	36%	7,590	6,775	12%
Total net assets	\$ <u>8,440</u>	<u>7,010</u>	20%	<u>9,629</u>	<u>8,810</u>	9%	<u>18,069</u>	<u>15,820</u>	14%

A significant portion of net position consists of net investment in capital assets, e.g., land, buildings, improvements, equipment (net of related debt) and, as such, is not available for future spending. The increase in net investment in capital assets is largely due to street improvements and water and sewer projects.

CHANGE IN NET POSITION

For the year ended June 30, 2023, the change in net position of the primary government is shown below. Note that the increase to the net position of Governmental Activities is primarily due to grant funding and conservative budgeting of sales and use taxes.

The increase in governmental expenses is primarily due to changes in pension plan liability estimates. The increase in business-type expense is primarily due to cost increases.

Management's Discussion and Analysis
City of Harrah, Oklahoma
June 30, 2023

CHANGE IN NET POSITION - Continued

Changes in Net Position (In Thousands)

	Governmental			Business-type			Total		
	Activities		% Inc.	Activities		% Inc.	Primary Government		% Inc.
	<u>2023</u>	<u>2022</u>	(Dec.)	<u>2023</u>	<u>2022</u>	(Dec.)	<u>2023</u>	<u>2022</u>	(Dec.)
Revenues									
Charges for services	\$ 704	622	13%	2,930	2,588	13%	3,634	3,210	13%
Operating grants	246	163	51%	-	-	-	246	163	51%
Capital grants	294	-	0%	-	-	-	294	-	0%
Sales and use taxes	4,183	3,900	7%	-	-	-	4,183	3,900	7%
Franchise tax (fees)	321	285	13%	-	-	-	321	285	13%
Other taxes	136	112	21%	-	-	-	136	112	21%
Investment income	149	2	7350%	228	7	3157%	377	9	4089%
Other	184	84	119%	6	9	0%	190	93	104%
Total revenues	6,217	5,168	20%	3,164	2,604	22%	9,381	7,772	21%
Expenses									
General government	1,101	1,188	-7%	-	-	-	1,101	1,188	-7%
Public safety	2,254	659	242%	-	-	-	2,254	659	242%
Public works	162	78	108%	-	-	-	162	78	108%
Cultural & recreation	215	357	-40%	-	-	-	215	357	-40%
Debt service	39	-	0%	-	-	-	39	-	0%
Water and sewer	-	-	-	3,361	3,022	11%	3,361	3,022	11%
Total expenses	3,771	2,282	65%	3,361	3,022	11%	7,132	5,304	34%
Increase in net position									
before transfers	2,446	2,886	-15%	(197)	(418)	-53%	2,249	2,468	-9%
Capital contributions	(269)	(156)	-	269	156	-	-	-	-
Transfers	(747)	(697)	7%	747	697	7%	-	-	-
Change in net position	1,430	2,033	0%	819	435	88%	2,249	2,468	-9%
Begininng net position	7,010	4,977	41%	8,810	8,375	5%	15,820	13,352	18%
Ending net position	\$ 8,440	7,010	20%	9,629	8,810	9%	18,069	15,820	14%

**Management's Discussion and Analysis
City of Harrah, Oklahoma
June 30, 2023**

CHANGE IN NET POSITION - Continued

Governmental Fund Balances

General Fund - The fund balance increase is primarily due to increased tax collections and conservative budgeting of expenses.

Capital Improvement Fund - Funding for the Capital Improvement Fund comes from a 1% sales tax restricted for capital expenditures. The increase in fund balance is primarily due to ongoing capital project expenditures as well as increased sales tax collections.

Other Governmental Funds - The fund balance increase is marginally from the prior year.

Governmental Funds	2023	2022	Change in Fund Balance
General Fund	\$ 3,684	2,639	1,045
Capital Improvement Fund	890	563	327
Other Governmental Funds	115	44	71
Totals	\$ 4,689	3,246	1,443

Major Fund Budgetary Statement Highlights

General Fund - The original; FY 22-23 budget included a 1.5% increase in tax revenues. Actual tax revenues came in above the original budget by 5.9%.

The June 30, 2023 General Fund year-end fund balance was 67.8% of annual revenues.

GOVERNMENTAL ACTIVITIES

Under Governmental Activities, the public safety expense includes pension income (expense) from the City's proportionate share of the Oklahoma Police Pension and Retirement Fund and the Oklahoma Firefighter's Pension and Retirement Fund. The annual pension plan estimates can cause significant fluctuations in public safety expense.

To aid in the understanding of the Statement of Activities on page 2 of the Basic Financial Statements, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

**Management's Discussion and Analysis
City of Harrah, Oklahoma
June 30, 2023**

GOVERNMENTAL ACTIVITIES - Continued

For the year ended June 30, 2023, expenses for governmental activities totaled \$3,771,235, an increase from the prior year of \$1,489,641. Governmental transfers to business-type activities totaled \$747,324 and the Capital Project Fund had expenditures for water and sewer projects totaling \$269,087.

GOVERNMENTAL ACTIVITIES SOURCES AND USES

<u>Governmental Activity</u>	<u>Charges for Services, Capital and Operating Grants</u>	<u>Total Expense of Services</u>	<u>Net Revenue (Expense) of Services</u>
General government	\$ 272,127	1,101,277	(829,150)
Public safety	529,789	2,253,857	(1,724,068)
Public works	417,515	162,076	255,439
Culture and recreation	24,100	214,939	(190,839)
Debt service	-	39,086	(39,086)
Totals	<u>\$ 1,243,531</u>	<u>3,771,235</u>	<u>(2,527,704)</u>

BUSINESS-TYPE ACTIVITIES

<u>Governmental Activity</u>	<u>Charges for Services, Capital and Operating Grants</u>	<u>Total Expense of Services</u>	<u>Net Revenue (Expense) of Services</u>
Water, sewer and sanitation	\$ 2,929,691	3,360,710	(431,019)
Totals	<u>\$ 2,929,691</u>	<u>3,360,710</u>	<u>(431,019)</u>

The City's business-type activities include utility services for water, sewer, and sanitation.

**Management's Discussion and Analysis
City of Harrah, Oklahoma
June 30, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2023, the City had \$22,042,970 invested in capital assets, net of depreciation, including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads, and bridges. This represents a net increase of \$3,226,232 over last year.

**Capital Assets
(In Thousands)**

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Construction in progress	\$ -	-	905	6,636	905	6,636
Land	1,002	1,002	-	-	1,002	1,002
Buildings	2,011	1,943	542	534	2,553	2,477
Machinery and equipment	1,956	1,969	2,327	1,795	4,283	3,764
Vehicles	2,764	2,640	-	-	2,764	2,640
Infrastructure	2,768	2,500	27,186	18,127	29,954	20,627
Less: Accumulated depreciation	<u>(6,105)</u>	<u>(5,747)</u>	<u>(13,312)</u>	<u>(12,582)</u>	<u>(19,417)</u>	<u>(18,329)</u>
Total capital assets, net	<u>\$ 4,396</u>	<u>4,307</u>	<u>17,648</u>	<u>14,510</u>	<u>22,044</u>	<u>18,817</u>

Major capital asset events during the current fiscal year included the following:

- Street improvements.
- Water and sewer lines along 29th Street.
- Sewer line along 23rd Street.
- Vehicle and equipment purchases for various departments.

**Management's Discussion and Analysis
City of Harrah, Oklahoma
June 30, 2023**

Long-term Debt

At year-end, the City had \$14,704,052 in long-term debt outstanding, excluding accrued compensated absences, due to depositors and net pension liability, which represents a \$442,766 decrease from the prior year.

**Outstanding Debt
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Notes payable	\$ 809	929	13,895	14,218	14,704	15,147
Other debt	-	-	-	-	-	-
Totals	\$ 809	929	13,895	14,218	14,704	15,147

After the fiscal yearend, in July, 2023 the Harrah Public Works Authority borrowed an additional \$10,000,000 from the Oklahoma Water Resource Board for sewer improvements.

ECONOMIC OUTLOOK

- The unemployment rate for the Oklahoma City metropolitan area which includes Harrah is currently 2.8 percent, which is a decrease of 1.6 percent from a year ago. This compares favorably to the state's average unemployment rate of 2.7 percent and favorably to the national average rate of 3.5 percent.
- Inflationary trends in the region compare favorably to national indices.
- The City's major source of revenue is sales and use tax revenue. Sales and use tax revenue increased 7.2% over the prior year total.

All of these factors were considered in preparing the City's budget for the 2023-2024 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, bond rating agencies and creditors with a general overview of the City's finances reflecting the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office at P.O. Box 636, Harrah, Oklahoma 73045.

BASIC FINANCIAL STATEMENTS

City of Harrah, Oklahoma
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 4,889,470	4,569,702	9,459,172
Restricted assets:			
Restricted cash and investments	-	2,287,290	2,287,290
Receivables (net of allowance for uncollectibles)	53,338	237,411	290,749
Internal balances	(119,263)	119,263	-
Due from other government agencies	825,307	-	825,307
Net pension asset	108,688	-	108,688
Capital assets:			
Land, improvements and construction in progress	1,001,528	904,628	1,906,156
Other capital assets, net of depreciation	3,394,113	16,742,701	20,136,814
Total assets	10,153,181	24,860,995	35,014,176
DEFERRED OUTFLOW OF RESOURCES	1,820,404	639,918	2,460,322
LIABILITIES			
Accounts payable and accrued expenses	5,521	16,971	22,492
Accrued interest payable	11,459	122,883	134,342
Due to bondholders	3,175	-	3,175
Due to other government agencies	105,019	-	105,019
Unearned revenue	846,698	-	846,698
Current portion of long-term debt	165,001	347,579	512,580
Long-term liabilities:			
Long-term debt and other liabilities	810,611	14,334,093	15,144,704
Net pension liability	1,375,895	720,250	2,096,145
Total liabilities	3,323,379	15,541,776	18,865,155
DEFERRED INFLOW OF RESOURCES	210,402	330,064	540,466
NET POSITION			
Net investment in capital assets	3,586,817	5,711,516	9,298,333
Restricted for:			
Debt service	-	175,521	175,521
Capital improvements	889,732	-	889,732
Other purposes	115,110	-	115,110
Unrestricted (deficit)	3,848,145	3,742,036	7,590,181
Total net position	\$ 8,439,804	9,629,073	18,068,877

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	\$ 1,101,277	223,292	41,353	7,482	(829,150)
Public safety	2,253,857	392,194	137,595	-	(1,724,068)
Public works	162,076	86,994	67,035	263,486	255,439
Culture and recreation	214,939	1,300	-	22,800	(190,839)
Debt service	39,086	-	-	-	(39,086)
Total government activities	<u>3,771,235</u>	<u>703,780</u>	<u>245,983</u>	<u>293,768</u>	<u>(2,527,704)</u>
Business-type activities:					
Water , sewer and sanitation	3,360,710	2,929,691	-	-	(431,019)
Total business-type activities	<u>3,360,710</u>	<u>2,929,691</u>	<u>-</u>	<u>-</u>	<u>(431,019)</u>
Total primary government	<u><u>7,131,945</u></u>	<u><u>3,633,471</u></u>	<u><u>245,983</u></u>	<u><u>293,768</u></u>	<u><u>(2,958,723)</u></u>

City of Harrah, Oklahoma
Statement of Activities
For the Year Ended June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in Net Position:			
Net (expense) revenue	\$ (2,527,704)	(431,019)	(2,958,723)
General revenues:			
Taxes:			
Sales taxes	3,527,867	-	3,527,867
Use taxes	655,141	-	655,141
Franchise taxes (fees)	321,047	-	321,047
Other taxes	135,974	-	135,974
Unrestricted investment income	148,941	228,118	377,059
Miscellaneous	184,645	5,698	190,343
Transfers	(747,324)	747,324	-
Capital contributions	(269,087)	269,087	-
Total general revenues and transfers	<u>3,957,204</u>	<u>1,250,227</u>	<u>5,207,431</u>
Change in net position	1,429,500	819,208	2,248,708
Net Position - beginning	7,010,304	8,809,865	15,820,169
Net Position - ending	\$ <u><u>8,439,804</u></u>	<u><u>9,629,073</u></u>	<u><u>18,068,877</u></u>

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,183,961	1,590,009	111,324	4,885,294
Cash - Police bond account	4,176	-	-	4,176
Receivables:				
Due from other governments	818,500	-	6,807	825,307
Due from other funds	30,356	148,020	-	178,376
Other receivables	53,338	-	-	53,338
Total assets	4,090,331	1,738,029	118,131	5,946,491
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Police bonds outstanding	3,175	-	-	3,175
Deposits subject to refund	2,500	-	3,021	5,521
Due to other funds	296,040	1,599	-	297,639
Due to other governments - Police radios	105,019	-	-	105,019
Deferred revenue - ARPA grant	-	846,698	-	846,698
Total liabilities	406,734	848,297	3,021	1,258,052
Fund balances:				
Nonspendable	-	889,732	115,110	1,004,842
Unassigned	3,683,597	-	-	3,683,597
Total fund balances	3,683,597	889,732	115,110	4,688,439
Total liabilities and fund balances	\$ 4,090,331	1,738,029	118,131	
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not required in the funds, net of accumulated depreciation of \$6,105,172				4,395,641
Certain deferred outflows are not available to pay current period expenditures and certain long-term liabilities and deferred outflows are not due and payable from current financial resources, and therefore, are not reported in these fund financial statements, but are reported in the governmental activities of the Statement of Net Position:				
Pension related deferred outflows				1,820,404
Net pension asset				108,688
Net pension liability				(1,375,895)
Pension related deferred inflows				(210,402)
Certain long-term liabilities are not due and payable from current financial resources and, therefore, along with deferred inflows, are not reported in the funds:				
Notes payable				(808,824)
Accrued interest payable				(11,459)
Accrued compensated absences				(166,788)
Net position of governmental activities			\$	8,439,804

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2023

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 4,586,118	-	53,911	4,640,029
Intergovernmental	108,389	293,767	-	402,156
Licenses and permits	223,292	-	-	223,292
Charge for services	-	-	88,294	88,294
Fines and forfeitures	392,194	-	-	392,194
Interest	91,835	57,105	-	148,940
Miscellaneous	31,958	152,638	-	184,596
Total revenues	<u>5,433,786</u>	<u>503,510</u>	<u>142,205</u>	<u>6,079,501</u>
EXPENDITURES				
Current:				
General government	267,652	114,729	-	382,381
Administration	378,814	-	-	378,814
Code enforcement	140,582	-	-	140,582
Building inspection	69,286	-	-	69,286
Legal	31,624	-	-	31,624
Police	1,168,551	4,274	-	1,172,825
Fire	595,888	8,233	-	604,121
Senior citizens center	74,278	24,842	-	99,120
Parks	-	18,648	45,082	63,730
Streets	-	448,327	68,973	517,300
Debt service:				
Principal	-	120,307	-	120,307
Interest	-	40,285	-	40,285
Total expenditures	<u>2,726,675</u>	<u>779,645</u>	<u>114,055</u>	<u>3,620,375</u>
Excess (deficiency) of revenues over expenditures	<u>2,707,111</u>	<u>(276,135)</u>	<u>28,150</u>	<u>2,459,126</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	194,278	946,732	43,000	1,184,010
Transfers out	(1,857,056)	(74,278)	-	(1,931,334)
Contributed capital - fixed assets	-	(269,087)	-	(269,087)
Total other financing sources and uses	<u>(1,662,778)</u>	<u>603,367</u>	<u>43,000</u>	<u>(1,016,411)</u>
Net change in fund balances	1,044,333	327,232	71,150	1,442,715
Fund balances-beginning	2,639,264	562,500	43,960	3,245,724
Fund balances-ending	<u>\$ 3,683,597</u>	<u>889,732</u>	<u>115,110</u>	<u>4,688,439</u>

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds	\$ 1,442,715
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	446,855
Depreciation expense	(358,563)
In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. The fund financial statements report pension contributions as expenditures.	
	(159,104)
Repayment of debt principal and note issue costs is an expenditure in the governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position:	
Proceeds from issuance of long-term debt	-
Long-term debt principal payments	120,306
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in accrued compensated absences	(63,908)
Change in accrued interest payable	1,199
	1,199
Change in net position of governmental activities.	\$ 1,429,500

City of Harrah, Oklahoma
Statement of Net Position - Proprietary Funds
June 30, 2023

	Harrah Public Works Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,569,702
Restricted cash and investments	2,287,290
Accounts receivable, net of allowance of \$259,964	237,411
Due from other funds	148,020
Total current assets	7,242,423
Capital assets:	
Land, improvements, and construction in progress	904,628
Other capital assets, net of accumulated depreciation	16,742,701
Total non-current assets	17,647,329
Total assets	24,889,752
DEFERRED OUTFLOW OF RESOURCES:	
Deferred amounts related to pensions	639,918
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	(2,500)
Accrued interest payable	122,883
Deferred revenues	19,471
Due to other funds	28,757
Current portion of long-term obligations	347,579
Total current liabilities	516,190
Non-current liabilities:	
Notes payable - non-current	14,138,898
Net pension liability	720,250
Deposits subject to refund	159,410
Accrued compensated absences - non-current	35,785
Total non-current liabilities	15,054,343
Total liabilities	15,570,533
DEFERRED INFLOW OF RESOURCES:	
Deferred amounts related to pensions	330,064
NET POSITION	
Net investment in capital assets	5,711,516
Restricted:	
Debt service	175,521
Unrestricted	3,742,036
Total net position	\$ 9,629,073

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2023

	<u>Harrah Public Works Authority</u>
REVENUES	
Water	\$ 1,126,611
Sewer	821,408
Sanitation	714,209
Other	267,463
Total operating revenues	<u>2,929,691</u>
OPERATING EXPENSES	
Personal services	777,267
Maintenance and operations	1,458,028
Bad debt expense	11,829
Depreciation and amortization	729,576
Total operating expenses	<u>2,976,700</u>
Operating income (loss)	<u>(47,009)</u>
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous revenues (expense)	5,698
Interest income	228,118
Interest expense and fiscal charges	(384,010)
Total nonoperating revenues (expenses)	<u>(150,194)</u>
OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	
Transfers in	867,324
Transfers out	(120,000)
Contributed capital	269,087
Total operating transfers and capital contributions	<u>1,016,411</u>
Change in net position	819,208
Net position - beginning	<u>8,809,865</u>
Net position - ending	<u><u>\$ 9,629,073</u></u>

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 2,870,673
Payments to suppliers and employees	(2,282,504)
Net receipts (refunds) of customer meter deposits	18,255
Net cash provided (used) by operating activities	<u>606,424</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating transfers in (out)	747,324
Net cash provided (used) by noncapital financing activities	<u>747,324</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(3,867,517)
Principal paid on debt	(322,459)
Capital contributions	269,087
Interest expense and fiscal charges	(416,487)
Net cash provided (used) by capital and related financing activities	<u>(4,337,376)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	228,118
Net cash provided (used) by investing activities	<u>228,118</u>

Net increase (decrease) in cash and cash equivalents	(2,755,510)
Cash and cash equivalents, beginning of the year	9,612,502
Cash and cash equivalents, end of the year	<u>\$ 6,856,992</u>

Reconciliation to Statement of Net Position:

Cash and cash equivalents	4,569,702
Restricted cash and cash equivalents	2,287,290
Total cash and cash equivalents, end of year	<u>\$ 6,856,992</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	(47,009)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Cash flows reported in other categories:	
Depreciation and amortization expense	729,576
Miscellaneous revenue	5,698
Change in assets and liabilities:	
(Increase) decrease in receivables	(47,189)
(Increase) decrease in due from other funds	(714)
Increase (decrease) in accounts payable and accrued expenses	(568)
Increase (decrease) in deferred revenues	4,239
Increase (decrease) in net pension liability and related deferrals	(55,864)
Total adjustments	<u>635,178</u>
Net cash provided by (used in) operating activities	<u>\$ 588,169</u>

See accompanying notes to the basic financial statement.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Harrah, Oklahoma (the “City”) conforms to accounting principles generally accepted in the United States of America for state and local governments. Generally accepted accounting principles for municipalities are defined as those principles promulgated by the Governmental Accounting Standards Board (“GASB”). The following represent the more significant accounting and reporting policies and practices of the City.

Financial Reporting Entity - The City is an incorporated municipality located in central Oklahoma. The City operates under a council-manager form of government with a charter that provides for three branches of government:

- Legislative - the governing body includes an elected five-member City Council and Mayor
- Executive - the City Manager is the Chief Executive Officer and appointed by the City Council
- Judicial - the Municipal Judge is a practicing attorney appointed by the City Council

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and GASB Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and includes all component units for which the City is financially accountable.

The accompanying financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and therefore data from these units are combined with the data of the City. Each blended component unit has a June 30 year end.

Blended Component Units - The Harrah Public Works Authority (HPWA) was created pursuant to a Trust Indenture, for the benefit of the City of Harrah. HPWA was established to acquire, construct, develop, equip, operate, and maintain the City’s water, sanitary sewer, and solid waste disposal systems. The water, sanitary sewer and solid waste disposal systems owned by the City have been leased to HPWA, including long-term financing and capital development. Council members serve as Trustees and the City Manager is General Manager. The Authority is reported as an enterprise fund.

Separate financial statements have not been prepared for the blended component units.

Each component unit is a Public Trust established pursuant to Title 60 of the Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through the issuance of revenue bonds and notes or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City has leased certain existing assets at the creation for the Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of presentation and accounting:

The City follows Governmental Accounting Standards Board (“GASB”) statements in the preparation of its financial statements. The presentation includes financial statements that communicate the City’s financial condition and changes therein at two distinct levels:

- The City as a Whole (a government-wide presentation)
- The City’s Funds (a presentation of the City’s major and aggregate non-major funds)

Government-wide and fund financial statements - The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities.

Governmental activities - Most of the City’s basic services are reported here, including police, fire, general administration, streets, parks, and recreation. Sales taxes, franchise fees, fines, and state and federal grants finance most of the activities.

Business-type activities - Services where the City charges a fee to customers to help cover all or most of the cost of the services it provides. The City’s water, sewer and sanitation systems are reported here.

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

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements -

Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how much money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on the modified accrual basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for reimbursement type grants that are recorded as revenues when the related expenditures are recognized. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, judgments, and pension liabilities are recorded only when payment is due.

Sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenues when qualifying expenditures have been incurred and all eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps one determine (through a review of changes in fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The following are the City's major governmental funds:

- General Fund - accounts for general operations of the City including public safety, parks, public facilities, street maintenance and internal service support.
- Capital Projects Fund - accounts major capital improvement projects

The following are the City's aggregate non-major governmental funds:

- Street & Alley Fund
- Park Funds

The reconciliation of the governmental fund financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus on the government-wide level.

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Proprietary Funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-like activities provided to other funds or departments of the City. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as reductions to the liability.

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

The following are the City's proprietary funds:

- Harrah Public Works Authority (HPWA) - accounts for the revenues from operations of water, sanitary sewer, and solid waste.

Accounting Policies -

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

- a. *Cash and Cash Equivalents* - The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.
- b. *Pooled Cash and Investments* - The City Charter requires all cash belonging to the City to be placed in the custody of the Financial Services Department of the City. A "Pooled Cash" concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amounts. Investments are allocated to the individual participating funds based upon a percentage determined by the Financial Services Department of the City. An interfund receivable/payable is recognized if the allocation of investments to a particular fund exceeds the fund's pooled cash amount before the allocation of the pooled investments.

The purchases and maturities of the pooled investments, as reported in the fund's statement of cash flow, are allocated to the participating proprietary funds based on their portion of total pooled investments.

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- c. *Investments* - Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers the quoted market price on June 30, 2023, to be the fair value of its investments.

Oklahoma Statutes authorize the City to invest in obligations of the United States government, its agencies and instrumentalities; collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings bank, savings and loan associations and credit unions located out of state; negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank; prime banker's acceptances which are eligible for purchases by the Federal Reserve System and which do not exceed 270 days' maturity; prime commercial paper which shall not have a maturity that exceeds 180 days nor represent more than 10% of the outstanding paper of an issuing corporation; repurchase agreements that have underlying collateral consisting of those items specified above; and money market funds regulated by the Securities and Exchange Commission and which investments consist of those items noted above.

- d. *Receivables and payables* - In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the governmental fund financial statements, receivables are recorded when they are both measurable and available. Proprietary fund receivables consist of all revenues earned at year-end and not yet received.

- e. *Interfund Receivable and Payables* - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / due from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."
- f. *Restricted Assets* - Restricted assets include cash and investments of both governmental activities and business-type activities that are legally restricted as to their use. The restricted assets are primarily related to debt trustee accounts and guaranty deposits.

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

g. *Capital Assets* - Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, the majority of which generally consists of donated land and infrastructure which is recorded in the governmental funds and donated water and sewer distribution systems which are recorded in the proprietary funds, are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 - 65 years
Infrastructure	25 - 50 years
Improvements other than buildings & infrastructure	10 - 20 years
Machinery and equipment	3 - 20 years
Vehicles	3 - 7 years

h. *Inventory* - The City records parts and fuel inventory as expenses within the General Fund. Parts inventory is recorded using actual cost.

i. *Long-term Debt* - Accounting treatment of long-term debt varies depending upon the source of repayment and the measurement focus applied, and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental activities, business-type activities and proprietary funds are reported as liabilities as incurred. The long-term debt presently is primarily comprised of revenue bonds payable, net pension liability, and accrued compensated absences. This long-term debt is reported not of unamortized discounts and premiums.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

j. *Claims and Judgments Payable* - Under state law, judgments against the City can be paid over three years or can be paid immediately. A liability would be recorded within the government-wide, proprietary, and fiduciary fund financial statements for claims and judgments payable. A liability for these amounts is reported in governmental funds only if they will be paid from current financial resources.

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- k. *Compensated Absences* - Under the terms of union contracts and City personnel policies, City employees are granted vacation and sick leave in varying amounts. Vesting of sick leave by employees and maximum number of hours that can be accumulated for vacation and sick leave are dependent upon an employees' service as contained in the City's personnel manual. In the event of termination, an employee is paid for accumulated vacation leave.
- l. *Pensions* - For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the City's multiemployer pension plans and additions to/deductions from the multiemployer pension plans have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- m. *Fund Equity* - In the government-wide financial statements, equity is classified as net position and displayed in three components:
 - 1. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
 - 2. *Restricted net position* - Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
 - 3. *Unrestricted net position* - All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted net positions are available for use, generally it is the City's policy to use restricted resources first. For projects funded with tax-exempt debt proceeds and other sources, the debt proceeds are used first.

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows and based on the nature of any limitations requiring the use of resources for specific purposes.

- a) *Nonspendable* - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements.
- b) *Restricted* - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- c) *Committed* - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision-making authority. The City Council is the highest level of decision-making authority that can, by adoption of an Ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by ordinance remains in place until a similar action by the City Council is taken (the adoption of another ordinance) to remove or revise the limitation.

- d) *Assigned* - Amounts in the 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 committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

- e) *Unassigned* - Includes the residual balance of the General Fund that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes with the General Fund.

When both restricted and unrestricted sources (the total of committed, assigned, and unassigned fund balance) are available for use, generally it is the City's policy to use restricted resources first. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Cost Sharing Defined Benefit Pension Plans

The City participates in two cost-sharing multiple-employer defined benefit pension plans, the Oklahoma Firefighters Pension & Retirement System (OFPRS) and the Oklahoma Police Pension & Retirement System (OPPRS) (the Plans). For purposes of measuring the net pension asset, liability, deferred outflows of resources and deferred inflows of resources related to the pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has deferred outflows related to pensions, with one being the amount of contributions made to pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments and the difference in assumption changes. Deferred outflows related to contributions made after the measurement date will be recognized as a reduction of pension liability in the following year. The remaining

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

amounts will be amortized to pension expense over future periods. See Note 4 for additional information.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has a deferred inflow related to pensions. This consists of the difference between expected and actual experience related to pension plans as well as the difference in assumption changes. These amounts are amortized over future periods to pension expense.

Revenues, Expenditures and Expenses

- a. *Sales Taxes* - Sales taxes are collected by vendors and required to be remitted to the State of Oklahoma by the 20th of the month following collection. The tax is then paid to the City by the 10th of the next month. A two-month lag exists between collection by the vendor and payment to the City by the State. Revenue received in July and August from sales made in May and June, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.
- b. *Charges for Services* - Charges for service consist primarily of charges made by one fund for services such as insurance and other benefits provided to the other funds of the City.
- c. *Intergovernmental Revenues/Capital Grants Earned* - Revenues from Federal and State operating grants are recognized when expenditures are made. Similarly, capital grants are considered earned when the expenditures are made. The earned portion of capital grants in Proprietary Funds is treated as a capital contribution within the statement of revenues, expenses, and changes in fund net position.
- d. *Investment Earnings* - Investment earnings on pooled cash and investments are allocated on a pro-rata basis to the City's funds based on the percentage of each fund's average month-end pooled cash balance.

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

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Compliance

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the “Budget Act”). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing is held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All fund decreases of appropriation and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments within a fund without City Council approval. Supplemental appropriations must also be filed with the Office of the State Auditor and Inspector.

In accordance with Title 60 of the Oklahoma State Statutes, the Harrah Public Works Authority is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of budget or definition of a legal level of control; and, therefore, no budget and actual financial presentation for the HPWA funds is included in this report.

Deposits and Investment Laws and Regulations

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City may not recover its deposits. The City’s policy to minimize its exposure to custodial credit risk for deposit is that all deposits shall either be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the cognizant Federal Reserve Bank or invested in United States government obligations, and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma, in the City’s name. On June 30, 2023, the City’s bank balances of approximately \$9,942,712 were fully insured or collateralized with securities.

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City minimizes its exposure to interest rate risk by limiting the duration of certificates of deposits or other fixed-income securities.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The City minimizes its exposure to investment credit risk by adopting investment policies that comply with the Oklahoma State statutes. As a result, investments are limited to the following:

- Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- Certificates of deposit or savings accounts that are either insured or secured with acceptable pledged collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- 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.
- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- Money market funds and repurchase agreements which consist of the authorized investments of the United States government agency obligations with restrictions as specified in state law.

Public trusts created under O.S. Title 60 are not subject to the above-mentioned investment limitations and are primarily governed by restrictions in their trust or bond indentures.

The City has no formal policy limiting investments based on credit rating but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations and agencies as of the end of year end. Unless there is information to the contrary, obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality.

Custodial credit risk for investments is the risk that in the event of a bank failure, the City may not recover the value of its investments. The City's policy to minimize its exposure to custodial credit risk for investments is that all investments shall either be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the cognizant Federal Reserve Bank or invested in United States government obligations, and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma, in the City's name. On June 30, 2023, the City's investments are certificates of deposit in local banks. On June 30, 2023, the certificates of deposits were fully insured or collateralized.

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Debt Restrictions and Covenants

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of certain outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of the net assessed valuation. For the year ended June 30, 2023, the City did not have outstanding general obligation debt.

Other Long-term Debt

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval.

Revenue Note Debt

The indentures relating to the revenue note issues of the Harrah Public Works Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, debt service coverage requirements and required reserve account balances.

The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance, thereon, as of June 30, 2023:

<u>Requirement</u>	<u>Level of Compliance</u>
<i>Harrah Public Works Authority</i>	
a. Flow of Funds	
1. 2015 Revenue Note	The Authority maintained all required accounts and made the required payments into such accounts.
- Construction Fund	
- Debt Service Fund	
2. 2009 OWRB Revenue Note	
- Debt Service Fund	
3. 2011 OWRB Revenue Note	
- Debt Service Fund	
4. 2020 OWRB Revenue Note	
- Construction Fund	
- Debt Service Fund	
5. 2022 OWRB Revenue Note	
- Construction Fund	
- Debt Service Fund	
b. Revenue Note Coverage	
Net operating revenue plus transferred Sales tax must equal 1.25 times annual debt service on the 2004, 2009, 2011, 2020 and 2022 OWRB Notes and the 2015 Revenue Notes	Net revenue available amounted to \$3,925,615. The annual debt service was \$1,091,094. Actual coverage was 3.60 times.

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

Fund Equity/Net Position Restrictions

Restricted Net Position

Restricted net position at the government-wide financial statements is required to restrict funds in accordance with various laws and regulations, specifically those laws and regulations dealing with debt service and the use of restricted revenues. See Note 3 for details of restricted net position.

The following notes present detailed information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, equity, revenues, and expenditures/expenses.

Deposits and Investment Risks

The City of Harrah, including its blended component units, held the following deposits and investments on June 30, 2023:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 9,609,925
Cash on hand			1,600
			<u>9,611,525</u>
Investments:			
Trustee money market account		AAAm	2,134,937
			<u>2,134,937</u>
Total deposits and investments			<u>\$ 11,746,462</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 9,459,172
Restricted cash and investments			<u>2,287,290</u>
			<u>\$ 11,746,462</u>

Restricted Assets

The amounts reported as restricted assets on the Statement of Net Position are comprised of cash and investments held by the trustee bank on behalf of the public trusts (Authorities) related to its required revenue bond accounts as described in Note 2 and amounts due to depositors related to utility deposits.

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Restricted Assets - Continued

The restricted assets as of June 30, 2023 were as follows:

	Governmental Activities	Business-type Activities
	Current	Current
	Cash and cash Equivalents	Cash and cash Equivalents
2015 Utilities & Sales Tax Revenue Note - Construction	\$ -	17,976
2015 Utilities & Sales Tax Revenue Note - Debt Service	-	40,841
2009 OWRB Clean Water SRF Note - Debt Service	-	8,946
2011 OWRB Clean Water SRF Note - Debt Service	-	23,962
2020 OWRB FAP Note - Construction	-	317,126
2020 OWRB FAP Note - Debt Service	-	76,015
2022 OWRB FAP Note - Construction	-	1,624,314
2022 OWRB FAP Note - Debt Service	-	25,757
Utility Deposits	-	152,353
	<u> </u>	<u> </u>
Accounts receivable, net of allowance	\$ <u> </u>	<u>2,287,290</u>

Receivables and Uncollectible Accounts

Accounts receivable of governmental and business-type activities consist of sales tax, franchise tax and fees, grants funds due, customer utilities services provided, both billed and unbilled, all reported net of allowance for uncollectible amounts are as follows:

	Governmental Activities	Business-type Activities
Sales taxes	\$ 592,078	-
Use taxes	118,900	-
Franchise taxes	53,761	-
Hotel/Motel taxes	18,487	-
Other	95,419	-
Utilities	-	497,375
Less: Allowance for uncollectible accounts	-	(259,964)
	<u> </u>	<u> </u>
Accounts receivable, net of allowance	\$ <u>878,645</u>	<u>237,411</u>

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital Assets

Capital asset balances and governmental activities for the year ended June 30, 2023, were as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending</u>
Governmental activities					
Capital assets not being depreciated :					
Land	\$ 1,001,528	-	-	-	1,001,528
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>1,001,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,001,528</u>
Capital assets being depreciated :					
Buildings and improvements	1,943,305	19,800	47,451	-	2,010,556
Machinery and equipment	1,969,415	43,280	(57,121)	-	1,955,574
Vehicles	2,639,575	-	125,064	-	2,764,639
Infrastructure	2,500,135	383,775	(115,394)	-	2,768,516
Total capital assets being depreciated	<u>9,052,430</u>	<u>446,855</u>	<u>-</u>	<u>-</u>	<u>9,499,285</u>
Less : Accumulated depreciation					
Buildings and improvements	878,996	56,868	-	-	935,864
Machinery and equipment	1,381,033	115,685	-	-	1,496,718
Vehicles	2,079,172	117,964	-	-	2,197,136
Infrastructure	1,407,408	68,046	-	-	1,475,454
Total capital assets being depreciated	<u>5,746,609</u>	<u>358,563</u>	<u>-</u>	<u>-</u>	<u>6,105,172</u>
Total capital assets being depreciated	<u>3,305,821</u>	<u>88,292</u>	<u>-</u>	<u>-</u>	<u>3,394,113</u>
Governmental activities capital assets, net	<u>\$ 4,307,349</u>	<u>88,292</u>	<u>-</u>	<u>-</u>	<u>4,395,641</u>

Depreciation expense for governmental activities is charged to functions as follows:

Governmental activities:

General government	\$ 90,359
Public safety	171,916
Streets	28,551
Cultural and recreation	67,737
Total depreciation expense - governmental activities	<u>\$ 358,563</u>

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital Assets - Continued

Capital asset activity for business-type activities for the year ended June 30, 2023, was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending</u>
<i>Business-type activities</i>					
Capital assets not being depreciated :					
Land	\$ -	-	-	-	-
Construction in progress	6,635,803	3,496,159	(9,227,334)	-	904,628
Total capital assets not being depreciated	<u>6,635,803</u>	<u>3,496,159</u>	<u>(9,227,334)</u>	<u>-</u>	<u>904,628</u>
Capital assets being depreciated :					
Buildings and improvements	533,637	-	8,044	-	541,681
Equipment and vehicles	1,794,970	57,211	474,887	-	2,327,068
Infrastructure	17,451,538	314,147	8,786,141	-	26,551,826
Industrial park	675,387	-	(41,738)	-	633,649
Total capital assets being depreciated	<u>20,455,532</u>	<u>371,358</u>	<u>9,227,334</u>	<u>-</u>	<u>30,054,224</u>
Less : Accumulated depreciation					
Buildings and improvements	416,093	22,422	-	-	438,515
Equipment and vehicles	1,583,833	99,734	-	-	1,683,567
Infrastructure	10,308,734	602,195	-	-	10,910,929
Industrial park	273,286	5,226	-	-	278,512
Total capital assets being depreciated	<u>12,581,946</u>	<u>729,577</u>	<u>-</u>	<u>-</u>	<u>13,311,523</u>
Net depreciable assets	<u>7,873,586</u>	<u>(358,219)</u>	<u>9,227,334</u>	<u>-</u>	<u>16,742,701</u>
Business-type activities capital assets, net	<u>\$ 14,509,389</u>	<u>3,137,940</u>	<u>-</u>	<u>-</u>	<u>17,647,329</u>

Depreciation expense for business-type activities is charged to functions as follows:

Business-type activities:

Water and sewer	<u>729,577</u>
Total depreciation expense - business-type activities	<u>\$ 729,577</u>

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Deposits Subject to Refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2023, cash and investments included \$152,353 available for refund of customer deposits, while the liability to customers was \$159,410.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2023, \$3,175 was being held that was subject to refund.

Long-term Debt

The reporting entity's long-term debt is segregated by the amounts involving governmental activities and business activities.

Governmental Activities Long-term Debt:

As of June 30, 2023, the governmental activities long-term debt consisted of the following:

Notes Payable

Notes outstanding consist of debt issued by the City of Harrah.

\$290,531 note payable to FNB Community Bank; dated October 5, 2018, for the acquisition of land for economic development; due in monthly principal and interest payments of \$2,012.49 beginning November 5, 2018 and maturing October 5, 2033; secured by mortgage on the land; interest included at a rate of 3.00% per annum.	\$ 213,805
\$205,330 note payable to FNB Community Bank; dated February 28, 2022, for the acquisition of police vehicles and equipment; due in annual principal and interest payments of \$55,535.50 beginning June 1, 2023 and maturing June 1, 2026; secured by police vehicles; interest included at a rate of 2.88% per annum.	<u>122,941</u>
Total Revenue Notes	<u>\$ 336,746</u>
Current portion	\$ 70,304
Non-current portion	<u>266,442</u>
	<u>\$ 336,746</u>

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Tax Increment Revenue Note

\$600,000 Harrah Tax Increment Finance Authority Use Tax Revenue Note, Taxable Series 2019; dated January 31, 2019. Proceeds to be used to finance the purchase of land for an economic development project. Note matures on August 1, 2030 and bears interest at an initial rate of 5.50% per annum. The interest rate resets annually on February 1 of each year at an interest rate equal to the WSJ prime rate, but not be less than 5.00% per annum. Semi-annual principal payments commence on February 1, 2021 to August 1, 2030 in varying amounts of \$23,000 to \$38,000. The note is secured by a pledge of all of the use tax revenue of the City.

	\$ <u>472,077</u>
Current portion	53,000
Non-current portion	<u>419,077</u>
	\$ <u>472,077</u>

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Business-type Activities Long-term Debt:

As of June 30, 2023, the long-term debt payable from enterprise fund resources consisted of the following:

Revenue Notes Payable

<p>\$2,220,000 Clean Water SRF Series 2004 loan payable to the Oklahoma Water Resource Board (OWRB), dated December 16, 2004, payable in semi-annual installments with a final payment due September 15, 2025; interest rate of 2.60% and administrative fee of 0.5%; secured by a pledge of a three cent sales tax and water and sewer revenues.</p>	<p>\$ 304,229</p>
<p>\$1,930,000 Clean Water SRF Series 2009 loan payable to the Oklahoma Water Resource Board (OWRB), dated May 29, 2009, payable in semi-annual installments with a final payment due March 15, 2030; interest rate of 2.35% and administrative fee of 0.5%; secured by a pledge of a three cent sales tax and water and sewer revenues.</p>	<p>538,185</p>
<p>\$490,000 Drinking Water SRF Series 2011 loan payable to the Oklahoma Water Resource Board (OWRB), dated October 1, 2011, payable in semi-annual installments with a final payment due March 15, 2032; interest rate of 3.05% and administrative fee of 0.5%; secured by a pledge of a three cent sales tax and water and sewer revenues.</p>	<p>257,815</p>
<p>\$9,960,000 Promissory Note (FA Loan) payable to the Oklahoma Water Resource Board (OWRB), dated December 1, 2020, payable in semi-annual installments ranging from \$5,000 to \$605,000 with a final payment due September 1, 2050; interest rates ranging from 4.20% to 2.325%; secured by a pledge of three cent sales tax and water and sewer revenues.</p>	<p>9,950,000</p>
<p>\$2,210,000 Promissory Note (FA Loan) payable to the Oklahoma Water Resource Board (OWRB), dated March 16, 2022, payable in semi-annual installments ranging from \$5,000 to \$150,000 with a final payment due September 1, 2051; interest rates ranging from 4.20% to 3.20%; secured by a pledge of three cent sales tax and water and sewer revenues.</p>	<p>2,210,000</p>
<p>\$1,220,000 HPWA Utilities System and Sales Tax Revenue Note, Series 2015; payable in semi-annual installments ranging from \$35,000 to \$50,000 with a final payment due February 1, 2030; interest rate of 2.56%; secured by a pledge of a three cent sales tax and water and sewer revenues.</p>	<p style="border-top: 1px solid black;">635,000</p>
<p>Total Revenue Notes Payable</p>	<p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 13,895,229</p>

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Revenue Notes Payable - Continued

Current portion	\$ 335,650
Non-current portion	<u>13,559,579</u>
	<u>\$ 13,895,229</u>

Accrued Compensated Absences

Accrued compensated absences reported in the business-type activities are comprised of accrued vacation leave, sick leave and compensatory time.

Governmental activities	\$ 166,788
Business-type activities	<u>47,714</u>
Total Accrued Compensated Absences	<u>\$ 214,502</u>

Due to Depositors

Current portion	\$ -
Non-current portion	<u>159,410</u>
Total Due Depositors	<u>\$ 159,410</u>

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
Governmental activities					
Note payable - FNB - Land	\$ 231,123	-	17,318	213,805	17,875
Note payable - FNB - Vehicles	172,704	-	49,763	122,941	52,429
Revenue note - HTIFA	525,303	-	53,226	472,077	53,000
Accrued compensated absences	102,808	63,980	-	166,788	41,697
Total Governmental Activities	<u>\$ 1,031,938</u>	<u>63,980</u>	<u>120,307</u>	<u>975,611</u>	<u>165,001</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
Business-type activities					
Notes payable:					
OWRB Series 2004	\$ 448,747	-	144,518	304,229	150,013
OWRB Series 2009	606,628	-	68,443	538,185	70,396
OWRB Series 2011	282,313	-	24,498	257,815	25,241
OWRB Series 2020	9,955,000	-	5,000	9,950,000	5,000
OWRB Series 2022	2,210,000	-	-	2,210,000	5,000
Revenue note - Series 2015	715,000	-	80,000	635,000	80,000
Deposits subject to refund	141,155	18,255	-	159,410	-
Accrued compensated absences	40,202	7,512	-	47,714	11,929
Total Business-type Activities	<u>\$ 14,399,045</u>	<u>25,767</u>	<u>322,459</u>	<u>14,102,353</u>	<u>347,579</u>

Reconciliation to Statement of Position:

Plus : Unamortized note premium (discount)	<u>579,319</u>
	<u>14,681,672</u>

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt, with interest rates applicable as of June 30, 2023, excluding accrued compensated absences, due to depositors, estimated claims liability and net pension liability are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 123,304	36,456	335,650	410,593
2025	128,403	31,418	344,272	404,478
2026	94,565	25,211	204,932	398,323
2027	82,599	20,749	204,462	392,582
2028	87,193	16,635	207,533	386,788
2029-2033	284,839	25,113	1,708,382	1,789,311
2034-2038	7,920	51	2,470,000	1,354,037
2039-2043	-	-	2,850,000	984,850
2044-2048	-	-	3,245,000	575,247
2049-2053	-	-	2,325,000	115,934
Totals	\$ 808,823	155,633	13,895,231	6,812,143

Applicability of Federal Arbitrage Regulations

Debt issuances of the City and Authorities issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage rebate regulations require that all earnings from investment of gross proceeds of a bond issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These carry strict penalties for noncompliance including taxability of interest retroactive to the date of the issue. The City's management believes the City is in compliance with these rules and regulations.

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Non-Commitment Debt

Harrah Tax Increment Finance Authority Revenue Notes- Series 2009

On December 28, 2008, the Harrah Tax Increment Finance Authority issued tax increment revenue notes in the aggregate principal amount of \$15,760,000 with a maturity date on July 1, 2035. The Notes will be issued on a drawdown basis as project costs are incurred. The Notes shall bear interest and principal on a monthly basis, as more fully set out in a Loan Agreement and Security Agreement dated December 1, 2009. The Notes were issued in furtherance of the implementation of the Harrah Town Center Economic Development Project Plan. The proceeds of the Notes are financing the certain project costs outlined in the Project Plan.

The Notes are secured by a pledge of certain ad valorem tax and sales and use revenues generated within the Increment District. The Notes are a limited obligation of the Authority and do not constitute an obligation of the State of Oklahoma or the City of Harrah. The Authority has no taxing power.

During the fiscal year ended June 30, 2023, the Authority received and paid \$148,997 of sales tax related to the Tax Increment District.

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged three cents of future sales tax revenues to repay \$16,810,000 of OWRB Series 2004, 2009, 2011, 2020 and 2022 Revenue Notes and \$1,470,000 of HPWA Series 2015 Revenue Notes which are payable through 2050. Proceeds from the notes provided financing for construction of designated capital improvements. The total principal and interest payable for the remainder of the life of the notes is \$20,707,372. Pledged sales tax received in the current year was \$2,599,833. Debt service payments on the Revenue Notes of \$744,557 for the current fiscal year was 28.6% of pledged sales tax. Other sources of revenue such as water and sewer are also pledged.

Utility Revenue Pledge - The City has also pledged future net water and sewer revenues to repay \$16,810,000 of OWRB Series 2004, 2009, 2011, 2020 and 2022 Revenue Notes and \$1,470,000 of HPWA Series 2015 Revenue Notes which are payable through 2050. Proceeds from the notes provided funding for utility system capital assets. The total principal and interest payable for the remainder of the life of the notes is \$20,707,372. The notes are payable from the above-mentioned utility net revenues and are additionally secured with three cents of future sales tax revenues. The debt service payments on the notes this year were \$744,557 which was 91.7% of pledged net utility revenues of \$682,567 and 22.7% of both pledged utility revenues and pledged sales taxes.

Use Tax Pledge - The City has pledged future use tax revenues to repay \$600,000 of the Harrah Tax Increment Finance Authority Series 2019 Revenue Notes which are payable through 2030. Proceeds from the note provided financing for economic development incentives. The total principal and interest payable for the remainder of the life of the notes is \$591,755. Pledged use tax received in the current year was \$655,141. Maximum annual debt service payments on the Revenue Notes of \$79,678 are 12.2% of pledged use tax.

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Interfund Receivables, Payables, and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid grossing up balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Transfers:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
Harrah Public Works Auth.	General Fund	120,000	Operating subsidy
Capital Improvement Fund	General Fund	74,278	Operating subsidy
General Fund	Capital Improvement Fund	867,324	Sales tax transfer
General Fund	Harrah Public Works Auth.	867,324	Sales tax transfer
General Fund	Capital Improvement Fund	79,408	Operating subsidy
General Fund	Park Fund	43,000	Operating subsidy
		<u>2,051,334</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	1,184,010	(1,931,334)	(747,324)
Proprietary Funds	867,324	(120,000)	747,324
	<u>2,051,334</u>	<u>(2,051,334)</u>	<u>-</u>

Reconciliation to Statement of Activities:

Net Transfers	<u>-</u>
---------------	----------

Balances:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General Fund	Capital Improvement Fund	148,020	Sales tax transfer receivable
General Fund	Harrah Public Works Auth.	148,020	Sales tax transfer receivable
Capital Improvement Fund	General Fund	1,599	Interfund obligation
General Fund	Harrah Public Works Auth.	28,757	Sales tax transfer receivable
		<u>326,396</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Interfund Balance</u>
Governmental Funds	(178,376)	297,639	119,263
Proprietary Funds	(148,020)	28,757	(119,263)
	<u>(326,396)</u>	<u>326,396</u>	<u>-</u>

Reconciliation to Statement of Activities:

Net Transfers	<u>-</u>
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**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Fund Balances and Net Position

Fund Balances

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet:

	General Fund	Capital Improvement Fund	Other Governmental Fuunds	Total
Fund Balances:				
Restricted:				
Capital improvements	-	889,732	-	889,732
Street	-	-	107,215	107,215
Parks	-	-	7,895	7,895
Subtotal Nonspendable	-	889,732	115,110	1,004,842
Unassigned (deficit):	3,683,597	-	-	3,683,597
TOTAL FUND BALANCES	3,683,597	889,732	115,110	4,688,439

Sales Tax

Sales tax revenue represents a 4 cents tax on each dollar of taxable sales of which is recorded as follows:

- 3 cents are recorded in the General Fund and is pledged for Harrah Public Works Authority debt service. 1 cent is transferred to HPWA and the remaining 2 cents is retained in the General Fund for general operational purposes,
- 1 cent is recorded in the General Fund and then transferred to the Capital Improvement Fund for capital expenditures and for the payment of debt service in connection with obligations issued to finance specified capital expenditures.

In accordance with sales tax agreements of the OWRB and Revenue note indentures, sales tax has been pledged for the payment of principal and interest on the indebtedness on a parity basis.

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 4 - OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City manages these various risks of loss as follows:

- General Liability - Covered through purchased insurance with a \$1,000 deductible, per occurrence.
- Physical Property - Covered through purchased insurance with a \$1,000 deductible, per occurrence.
- Workers' Compensation - The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a matter of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A loss Fund has been established from the proceeds of the fees paid by the City. The City expensed these fees when paid. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's Liability for claim loss is limited to the balance of that fund. However, the failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

- Employee's Group Medical - Covered through purchased insurance with a deductible of \$6,000 per employee with the employee responsible for the first \$500.

COMMITMENTS AND CONTINGENCIES

Commitments

Construction in Progress

Construction in progress is authorized by actions of the City Council (governing body). A summary of construction in progress as of June 30, 2023 is as follows:

	Total Construction <u>In Progress</u>	Total Project	<u>Remaining To Complete</u>
Water and sewer improvements	\$ 904,628	1,133,884	229,256

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 4 - OTHER INFORMATION - Continued

Contingent Liabilities

General Litigation - The City and Utilities Authority are parties to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City.

While the outcome of the above noted proceedings cannot be predicted, due to the self-insurance reserves maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance reserves would not have a material adverse effect on the financial condition of the City.

Federal Grants - In the normal course of operations, the City receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management does not believe any liability for reimbursement which may arise as the result of these audits will be material.

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The City participates in five employee pension systems as follows:

<u>Names of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OkMRF)	Agent Multiple Employer - Defined Contribution Plan
Oklahoma Municipal Retirement Fund (OkMRF)	Agent Multiple Employer - Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OkMRF)	City Manager Retirement Plan - Defined Contribution Plan

Summary of Defined Benefit Plan Balances

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Pension Liability (Asset)		
Police Pension System	\$ (108,688)	-
Firefighter's Pension System	1,067,216	-
Non-Uniform Employees Pension System	308,679	720,250
Total Net Pension Liability	<u>\$ 1,267,207</u>	<u>720,250</u>
Deferred Outflows of Resources		
Police Pension System	\$ 1,181,719	-
Firefighter's Pension System	364,435	-
Non-Uniform Employees Pension System	274,250	639,918
Total Deferred Outflow of Resources	<u>\$ 1,820,404</u>	<u>639,918</u>
Deferred Inflows of Resources		
Police Pension System	\$ 15,624	-
Firefighter's Pension System	53,322	-
Non-Uniform Employees Pension System	141,456	330,064
Total Deferred Inflow of Resources	<u>\$ 210,402</u>	<u>330,064</u>

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 4 - OTHER INFORMATION - Continued

Oklahoma Police Pension and Retirement System (OPPRS)

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

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

- 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.

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Police Pension and Retirement System (OPPRS) - Continued

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 eight percent (8%) of their annual pay. Participating cities are required to contribute thirteen percent (13%) of the employees' annual pay. Contributions to the pension plan from the City were \$63,112. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$53,994. These on-behalf payments did not meet the criteria of a special funding situation.

Net Pension Liabilities/Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - As of June 30, 2023, the City reported an asset of \$108,688 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2022. The City's proportion of the net pension asset 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, 2022. Based upon this information, the City's proportion was 0.001355%.

For the year ended June 30, 2023, the City recognized pension expense of \$25,975. As of June 30, 2023, 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
Differences between expected and actual experience	\$ 65,135	\$ -
Changes of assumptions	3,783	-
Net difference between projected and actual earnings on pension plan investments	1,044,782	-
Changes in proportion and differences between City contributions and proportionate share of contributions	4,276	15,239
City contributions during measurement period	1,021	385
City contributions subsequent to the measurement date	62,722	-
Total	\$ 1,181,719	\$ 15,624

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Police Pension and Retirement System (OPPRS) - Continued

\$62,722 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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:

2023	\$	356,085
2024		327,065
2025		288,057
2026		127,447
2027		4,719
	\$	1,103,373

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	3.5% to 12.0% averages, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
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, 2022; valuation was based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017.

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Police Pension and Retirement System (OPPRS) - Continued

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 weighing 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, 2022, are summarized in the following table:

Actuarial Assumptions - Continued

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	3.34%
Domestic equity	4.69%
International equity	8.34%
Real estate	7.64%
Private equity	9.66%
Commodities	0.00%

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 14% 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 (Asset) to Changes in the Discount Rate - The following presents the net position liability (asset) of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability(asset) would be if it were calculated using a discount rate that is one percentage point lower - (6.5%) or one percentage point higher - (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	\$ 314,900	\$ (108,688)	\$ (466,723)

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 OPPRS; which can be located at www.ok.gov/OPPRS.

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The City of Harrah, as the employer, participates in the Firefighters Pension & Retirement - a cost-sharing multi-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 - In general, the Plan provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by Oklahoma statute. Retirement provisions are as follows:

Normal Retirement:

Hired Prior to November 1, 2013

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

Hired After November 1, 2013

- Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. Also, participants must be age 50 to begin receiving benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.
- All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in the line of duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in the line of duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Firefighters' Pension and Retirement System (OFPRS) - Continued

Benefits Provided - Continued

less than 20 years of service or \$7.53 per year of service, with a maximum of 30 years.

- 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 benefit is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not in-the-line-of-duty disability is also limited to only those with less than 20 years of service, 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 \$37,817. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$83,601. These on-behalf payments did not meet the criteria of a special funding situation.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - On June 30, 2023, the City reported a liability of \$1,067,216 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. 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, 2022. Based upon this information, the City's proportion was 0.081608%.

For the year ended June 30, 2023, the City recognized pension expense of \$148,342. On June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Firefighters' Pension and Retirement System (OFPRS) - Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 137,002	\$ 5,388
Changes of assumptions	-	6,804
Net difference between projected and actual earnings on pension plan investments	124,022	-
Changes in proportion and differences between City contributions and proportionate share of contributions	53,760	41,100
City contributions during measurement period	350	30
City contributions subsequent to the measurement date	<u>49,301</u>	<u>-</u>
Total	\$ <u>364,435</u>	\$ <u>53,322</u>

\$49,301 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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:

2023	\$	72,494
2024		62,652
2025		16,836
2026		<u>109,830</u>
	\$	<u>261,812</u>

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Firefighters' Pension and Retirement System (OFPRS) - Continued

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	2.75% to 10.50% averages, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the MP-2018 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, 2022; valuation was based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

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 weighing 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, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	4.38%
Domestic equity	7.41%
International equity	9.82%
Real estate	7.70%
Other assets	5.67%

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 an allocation of the insurance premium, as established by Oklahoma statute. Prior to July 1, 2020, the Plan was allocated 36% of the Statewide insurance premium tax. The State of Oklahoma has passed legislation that changes the allocation percentage as follows:

- 25.2% effective September 1, 2020
- 27.0% effective July 1, 2021
- 39.6% effective July 1, 2023
- 36.0% effective July 1, 2027

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Firefighters' Pension and Retirement System (OFPRS) - Continued

Discount Rate - Continued

The Plan will also receive \$81,250 each year from July 1, 2020 to July 1, 2027. Based on these assumptions, the 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 the Plan's investments was applied to all period 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 position 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 one percentage point lower - (6.5%) or one percentage point higher - (8.5%) than the current rate:

	1% Decrease ▼ (6.5%)	Current Discount Rate (7.5%)	1% Increase ▼ (8.5%)
Employers' net pension liability	\$ 1,375,190	\$ 1,067,216	\$ 809,611

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.

Oklahoma Municipal Retirement Fund - Defined Benefit Plan (OkMRF)

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.

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Municipal Retirement Fund - Defined Benefit Plan (OkMRF) - Continued

Eligibility Factors and Benefit Provisions

<u>Provision</u>	As of July 1, 2019 <u>OMRF Plan</u>	Hired After April 1, 2019 <u>OMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.	Same
b. Period Required to Vest	5 years of credited service.	10 years of credited service.
c. Eligibility for Distribution	- Normal retirement at age 65 with 5 years of service. - Early retirement at age 55 with 5 years of service. - Disability retirement upon disability with 5 years of service. - Death benefit with 5 years of service for married employees.	10 years of service. 10 years of service. 10 years of service. 10 years of service.
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service.	Same
e. Benefit Determination Methods:		
Normal Retirement	-2.625% of final average salary multiplied by credited years of service.	Same
Early Retirement	-Accrued benefit payable starting at normal retirement age, or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.	After age 55 with 10 or more years of vested service.
Disability Retirement	-Same as normal retirement.	Same
Death Benefit	-50% of employee's accrued benefit, but terminates upon spouse remarriage.	Same
Prior to 5 Years Service	-No benefits.	Prior to 10 years - No benefits.
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title 11, Section 48-101-102	Same
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.	Same

Employees Covered by Benefit Terms -

Active Employees	18
Deferred Vested Former Employees	3
Retirees or Retiree Beneficiaries	13
	<hr style="width: 100%;"/>
Total	<u>34</u>

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Municipal Retirement Fund - Defined Benefit Plan (OkMRF) - Continued

Contribution Requirements - The City Council has the authority to set and amend contribution rates by ordinance for the OMRF 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. The actuarially determined rate is 19.18% of covered payroll as of July 1, 2022, and 21.68% of covered payroll as of July 1, 2021. For the year ended June 30, 2022, the City recognized \$192,144 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$858,025. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the City Council.

Actuarial Assumptions -

Date of Last Actuarial Valuation	July 1, 2022
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.5
c. Projected Salary Increase	Varies between 8.00% and 5.00% based on age
d. Post Retirement Cost-of-Living Increase	None
e. Inflation Rate	2.75%
f. Mortality Table	PybG-2010
g. Percent of Married Employees	100%
h. Spouse Age Difference	3 years (female spouses younger)
i. Turnover	Selected and ultimate rates Ultimate rates are age related as shown Additional rates per thousand are added during the first 5 years: Year 1: 225 Year 2: 140 Year 3: 100 Year 4: 70 Year 5: 40

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Municipal Retirement Fund - Defined Benefit Plan (OkMRF) - Continued

Discount Rate - The discount rate used to value benefits was the long-term expected rate of return on the plan investments, 7.50% 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 (2.75%). 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, 2022 are summarized in the following table:

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Municipal Retirement Fund - Defined Benefit Plan (OkMRF) - Continued

	<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%	0.64%
Long/short equity			
MSCI ACWI	10%	5.00%	0.50%
International stocks			
MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds			
Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate			
NCREIF	5%	4.60%	0.23%
Cash equivalents			
3 month Treasury	<u>0%</u>	<u>0.00%</u>	<u>0.00%</u>
TOTAL	<u>100%</u>		
Average Real Return			4.75%
Inflation			<u>2.75%</u>
Long-term expected return			<u><u>7.50%</u></u>

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Municipal Retirement Fund - Defined Benefit Plan (OkMRF) - Continued

Changes in Net Pension Liability - The total pension liability was determined based on an actuarial valuation performed as of July 1, 2022 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, 2022 and the City's report ending date of June 30, 2023, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

	SCHEDULE OF CHANGES IN NET PENSION LIABILITY		
	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances Beginning of Year	\$ 4,339,682	3,899,612	440,070
Changes for the Year:			
Service cost	109,477	-	109,477
Interest expense	316,202	-	316,202
Difference between expected and actual experience	(3,913)	-	(3,913)
Assumption changes	(86,259)	-	(86,259)
Contributions - City	-	192,144	(192,144)
Contributions - Members	-	50,438	(50,438)
Net investment income	-	(489,212)	489,212
Benefits payments, including refunds of employee contributions	(251,853)	(251,853)	-
Benefit changes due to plan amendments	-	-	-
Plan administrative expenses	-	(6,722)	6,722
Other changes	-	-	-
Net Changes	83,654	(505,205)	588,859
Balances End of Year	\$ 4,423,336	3,394,407	1,028,929

**Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Municipal Retirement Fund - Defined Benefit Plan (OkMRF) - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net position liability of the City, calculated using the discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower - (6.50%) or one percentage point higher - (8.50%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Total Pension Liability	\$ 4,943,217	4,423,336	3,987,893
Plan Fiduciary Net Position	3,394,407	3,394,407	3,394,407
Net Pension Liability	\$ 1,548,810	\$ 1,028,929	\$ 593,486

The City reported \$186,963 in pension expense for the year ended June 30, 2023. As of June 30, 2023, 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
Differences between expected and actual experience	\$ 60,133	\$	41,109
Changes of assumptions	2,534		62,946
Net difference between projected and actual earnings on pension plan investments	665,024		367,465
City contributions subsequent to the measurement date	186,477		-
Total	\$ 914,168	\$	471,520

Amortization of Pension Deferrals - \$186,477 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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:

2024	\$	67,455
2025		16,576
2026		15,922
2027		156,218
2028		-
	\$	256,171

Notes to Basic Financial Statements
City of Harrah, Oklahoma
June 30, 2023

NOTE 4. OTHER INFORMATION - Continued

OMRF Defined Contribution Plan (DC) -

The City has provided a defined contribution plan and trust known as the City of Harrah Plan and Trust (the Plan) in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by JP Morgan Chase Bank, Oklahoma. The defined contribution plan is available to all full-time employees except those participating in state fire and police programs. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment and may make contributions at their option with the City matching their contributions up to a maximum amount equal to 5% of their compensation. By City ordinance, the City, as employer, is required to make contributions at a current rate of 5% of covered payroll. The City's contributions for each employee (and interest allocated to the employee account) are vested at a rate of 100% after 5 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining participants. The authority to establish and amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2023, the City contributed \$37,108 to the plan, while the employee contributions totaled \$39,376 on a covered payroll of \$795,273.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 1001 N.W. 63rd St., Suite 260, Oklahoma City, OK 73116.

OMRF City Manager Defined Contribution Plan (CMO) -

The City has also provided a defined contribution plan and trust known as the City of Harrah City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the city council. This plan is available only to the City Manager. The employee does not contribute to the plan and the employer makes variable contributions to the fund. For the current year, the employer's contribution was \$2,000.

Deferred Compensation Plan

The City makes available to all full-time employees a deferred compensation plan. The DC Plan was created in accordance with Section 457 of the *Internal Revenue Code* and permits employees to defer a portion of their salary until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or in case of an unforeseeable emergency.

The City makes no contributions to the Deferred Compensation Plan to which the employees may contribute up to a maximum of 25% of compensation or \$20,500 annually, whichever is less. Vesting in such contributions is 100% immediately. During the year ended June 30, 2023, employees contributed \$1,300 to the DC Plan.

Subsequent Events

In July, 2023 the City borrowed \$10,000,000 from the Oklahoma Water Resource Board to make improvements to and expand the sewer collection system. The note is payable in semi-annual installments at an interest rate of 5.20% with a maturity date of September 15, 2047.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Harrah, Oklahoma
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2023

	Budget			Actual	Variance with Final Budget Over (Under)
	Original	Revisions	Final		
REVENUES					
Taxes	\$ 4,312,500	-	4,312,500	4,568,985	256,485
Intergovernmental	29,500	25,000	54,500	108,389	53,889
Licenses and permits	185,150	-	185,150	223,292	38,142
Fines and forfeitures	300,000	-	300,000	392,194	92,194
Interest	250	-	250	91,835	91,585
Miscellaneous	24,601	(1,601)	23,000	31,958	8,958
Total revenues	<u>4,852,001</u>	<u>23,399</u>	<u>4,875,400</u>	<u>5,416,653</u>	<u>541,253</u>
EXPENDITURES					
General government:					
General government	1,642,402	85,327	1,727,729	267,652	1,460,077
Administration	460,525	-	460,525	378,814	81,711
Building inspection	171,665	(130)	171,535	140,582	30,953
Planning	183,641	130	183,771	69,286	114,485
Legal	33,841	-	33,841	31,624	2,217
Public safety:					
Police	1,604,788	1,650	1,606,438	1,168,551	437,887
Fire	828,339	3,000	831,339	595,888	235,451
Culture and recreation:					
Senior citizen center	73,100	-	73,100	74,278	(1,178)
Total expenditures	<u>4,998,301</u>	<u>89,977</u>	<u>5,088,278</u>	<u>2,726,675</u>	<u>2,361,603</u>
Excess (deficiency) of revenues over (under) expenditures	(146,300)	(66,578)	(212,878)	2,689,978	2,902,856
OTHER FINANCING SOURCES (USES)					
Transfers	(1,553,700)	13,579	(1,540,121)	(1,661,351)	(121,230)
Net change in fund balances	(1,700,000)	(52,999)	(1,752,999)	1,028,627	2,781,626
Fund balances - beginning	1,700,000	-	1,700,000	2,639,264	939,264
Fund balances - ending	<u>\$ -</u>	<u>(52,999)</u>	<u>(52,999)</u>	<u>3,667,891</u>	<u>3,720,890</u>

**Budgetary Comparison Schedule
City of Harrah
For the Year Ended June 30, 2023**

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1.
- b. Public hearings are conducted to obtain taxpayer comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. By July 1, the adopted budget is filed with the office of the State Auditor and Inspector.

Per State law, the legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. All transfers of appropriations between departments and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector. No departments exceeded appropriations.

Budgetary Accounting

The annual operating budgets are prepared and presented on a modified accrual basis of accounting.

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Encumbrances outstanding at year-end are not considered expenditures for budgetary purposes since the City intends to honor the commitments and provide for supplemental appropriations in the following budget year. All appropriations lapse at year-end.

**Budgetary Comparison Schedule
City of Harrah
For the Year Ended June 30, 2023**

Budget Reconciliations - Items required to adjust actual revenues, expenditures, and fund balances reported on the budgetary basis to those reported within the fund financial statements as of and for the year ended June 30, 2023, are as follows:

		<u>General Fund</u>
Fund balances - budgetary basis, June 30, 2023	\$	3,667,891
Current year revenue and transfer accruals		251,416
Prior year revenue and transfer accruals		(235,710)
Current year expenditure accruals		<u>-</u>
Fund balances - fund financial statements, June 30, 2023	\$	<u>3,683,597</u>
Revenues - budgetary basis, June 30, 2023	\$	5,416,653
Current year revenue accruals		547,455
Prior year revenue accruals		<u>(530,322)</u>
Revenues - fund financial statements, June 30, 2023	\$	<u>5,433,786</u>
Expenditures - budgetary basis, June 30, 2023	\$	
Current year expenditure accruals		2,726,675
Prior year expenditure accruals		<u>-</u>
Expenditures - fund financial statements, June 30, 2023	\$	<u>2,726,675</u>
Transfers - budgetary basis, June 30, 2023	\$	(1,661,351)
Current year transfer accruals		(296,039)
Prior year transfer accruals		<u>294,612</u>
Transfers - fund financial statements, June 30, 2023	\$	<u>(1,662,778)</u>

City of Harrah, Oklahoma
Schedule of Employer's Share of Net Pension Liability
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years *

	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Employer's proportion of the net pension liability (asset)	0.103100%	0.104000%	0.111900%	0.115300%	0.108663%	0.111921%	0.098307%	0.121200%	0.135500%
2. Employer's proportionate share of the net pension liability (asset)	\$ (34,718)	4,242	171,376	8,869	(51,762)	(7,145)	112,900	(581,416)	(108,688)
3. Employer's covered-employee payroll	\$ 267,062	294,077	330,015	343,831	331,454	364,238	421,012	311,115	485,477
4. Employer's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	-13.00%	1.44%	51.93%	2.58%	-15.62%	-1.96%	26.82%	-186.88%	-22.39%
5. Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%	101.89%	100.24%	95.80%	117.07%	102.74%

* Complete data for this schedule is not available prior to 2014
Data reported is measured as of July 1, 2022

City of Harrah, Oklahoma
Schedule of Employer's Contributions
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years *

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily required contribution	\$ 34,718	38,230	42,902	44,698	43,089	47,351	54,732	40,445	63,112
Contributions in relation to the statutorily required contribution	\$ (34,718)	(38,230)	(42,902)	(44,698)	(43,089)	(47,351)	(54,732)	(40,445)	(63,112)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 267,062	294,077	330,015	343,831	331,454	364,238	421,012	311,115	485,477
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

* Complete data for this schedule is not available prior to 2014
Data reported is measured as of July 1, 2022

City of Harrah, Oklahoma
Schedule of Employer's Share of Net Pension Liability
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years *

	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Employer's proportion of the net pension liability (asset)	0.076800%	0.078500%	0.079200%	0.083519%	0.077569%	0.080917%	0.077209%	0.084512%	0.081608%
2. Employer's proportionate share of the net pension liability (asset)	\$ 789,690	832,836	967,273	1,115,064	873,152	855,021	951,150	556,568	1,067,217
3. Employer's covered-employee payroll	\$ 203,260	214,386	221,464	237,393	230,707	226,157	256,270	274,543	270,121
4. Employer's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	388.51%	388.47%	436.76%	469.71%	378.47%	378.07%	371.15%	202.73%	395.09%
5. Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%	70.73%	72.85%	69.98%	84.24%	69.49%

* Complete data for this schedule is not available prior to 2014
Data reported is measured as of July 1, 2022

City of Harrah, Oklahoma
Schedule of Employer's Contributions
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years *

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily required contribution	\$ 28,456	30,014	31,005	33,235	32,299	31,662	35,878	38,436	37,817
Contributions in relation to the statutorily required contribution	\$ (28,456)	(30,014)	(31,005)	(33,235)	(32,299)	(31,662)	(35,878)	(38,436)	(37,817)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 203,260	214,386	221,464	237,393	230,707	226,157	256,270	274,543	270,121
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

* Complete data for this schedule is not available prior to 2014
Data reported is measured as of July 1, 2022

City of Harrah, Oklahoma
Schedule of Changes in Net Pension Liability and Related Ratios
Oklahoma Municipal Retirement Fund
Last 10 Fiscal Years*

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability									
Service cost	\$ 71,309	76,600	81,270	79,992	89,610	69,922	101,232	105,033	109,477
Interest	154,897	161,833	172,914	193,982	204,573	218,710	276,946	307,156	316,202
Changes of benefit terms	-	-	-	-	-	416,761	-	-	-
Differences between expected & actual experience	-	(29,127)	79,765	(85,733)	(36,897)	143,333	186,555	(75,758)	(3,913)
Changes of assumptions	-	-	-	88,418	-	44,770	-	-	(86,259)
Benefit payments, including refunds of member contributions	(65,202)	(65,608)	(67,071)	(56,935)	(46,877)	(91,503)	(143,474)	(181,064)	(251,853)
Net change in total pension liability	161,004	143,698	266,878	219,724	210,409	801,993	421,259	155,367	83,654
Total pension liability - beginning	1,959,350	2,120,354	2,264,052	2,530,930	2,750,654	2,961,063	3,763,056	4,184,315	4,339,682
Total pension liability - ending (a)	\$ 2,120,354	2,264,052	2,530,930	2,750,654	2,961,063	3,763,056	4,184,315	4,339,682	4,423,336
Plan fiduciary net position									
Contributions - employer	\$ 93,722	95,351	106,005	104,262	105,813	126,838	172,702	202,427	192,144
Contributions - member	35,145	35,757	39,752	39,098	39,680	44,321	45,335	53,137	50,438
Net investment income	241,750	50,111	19,007	247,277	170,447	181,184	118,902	839,364	(489,212)
Benefit payments, including refunds of member contributions	(65,202)	(65,608)	(67,071)	(56,935)	(46,877)	(91,503)	(143,474)	(181,064)	(251,853)
Administrative expense	(3,586)	(3,686)	(3,746)	(4,300)	(5,193)	(6,898)	(5,885)	(6,476)	(6,722)
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	301,829	111,925	93,947	329,402	263,870	253,942	187,580	907,388	(505,205)
Plan fiduciary net position - beginning	1,449,729	1,751,558	1,863,483	1,957,430	2,286,832	2,550,702	2,804,644	2,992,224	3,899,612
Plan fiduciary net position - ending (b)	\$ 1,751,558	1,863,483	1,957,430	2,286,832	2,550,702	2,804,644	2,992,224	3,899,612	3,394,407
Net pension liability - ending (a) - (b)	\$ 368,796	400,569	573,500	463,822	410,361	958,412	1,192,091	440,070	1,028,929
Plan fiduciary net position as a percentage of the total pension liability	82.61%	82.31%	77.34%	83.14%	86.14%	74.53%	71.51%	89.86%	76.74%
Covered employee payroll	667,383	696,231	695,916	753,601	649,418	798,695	858,022	874,906	858,025
Net pension liability as a percentage of covered - employee payroll	55.26%	57.53%	82.41%	61.55%	63.19%	120.00%	138.93%	50.30%	119.92%

* Complete data for this schedule is not available prior to 2015.

Data reported is measured as of July 1, 2022.

**City of Harrah, Oklahoma
Schedule of Employer Contributions
Oklahoma Municipal Retirement Fund
Last 10 Fiscal Years***

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 120,396	120,597	126,170	133,915	117,739	137,376	206,250	189,683	164,569
Contributions in relation to the actuarially determined contribution	120,396	120,597	126,170	133,915	117,739	137,376	206,250	189,683	164,569
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-
Total pension liability - beginning	\$ 667,383	696,231	695,916	753,601	649,418	798,695	858,022	874,906	858,025
Contributions as a percentage of covered-employee payroll	18.04%	17.32%	18.13%	17.77%	18.13%	17.20%	24.04%	21.68%	19.18%

Notes to Schedule:

1. Only the current fiscal year is presented because 10 year data is not available.
2. Latest Valuation Date: July 1, 2022
3. Actuarially determined contribution rate is calculated as of July 1, 2013 through July 1, 2023.

2013 - 17.55%
2014 - 18.04%
2015 - 17.32%
2016 - 13.33%
2017 - 13.23%
2018 - 13.36%
2019 - 13.36%
2020 - 12.94%
2021 - 11.82%
2022 - 24.04%

4. Methods and assumptions used to determine contribution rates:

Actuarial cost method - Entry age normal
Amortization method - Level percent of payroll, closed
Remaining amortization period - 26 years
Asset valuation method - Actuarial:
to 7.42% (varies by attained age)
Recognition method - Non-asymptotic
Corridor - 70% - 130%
Salary increases - 4.00% to 7.42% (varies by attained age)
Investment rate of return - 7.50%

**OTHER
SUPPLEMENTARY
INFORMATION**

City of Harrah, Oklahoma
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2023

	Special Revenue			Total
<u>ASSETS</u>	<u>Street & Alley</u>	<u>Park Fee Fund</u>	<u>Park Rental Deposit Fund</u>	<u>Nonmajor Governmental Funds</u>
Cash and cash equivalents	\$ 100,408	6,204	4,712	111,324
Due from other governments	6,807	-	-	6,807
TOTAL	107,215	6,204	4,712	118,131
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Deposits subject to refund	-	-	3,021	3,021
Total Liabilities	-	-	3,021	3,021
Fund balances:				
Restricted	107,215	6,204	1,691	115,110
Assigned	-	-	-	-
Total Fund Balances	107,215	6,204	1,691	115,110
TOTAL	\$ 107,215	6,204	4,712	118,131

City of Harrah, Oklahoma
Combining Statement of Revenues, Expenses and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue			Total
	Street & Alley	Park Fee Fund	Park Rental Deposit Fund	Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 53,911	-	-	53,911
Charge for services	86,994	-	1,300	88,294
Interest	-	-	-	-
Total revenues	<u>140,905</u>	<u>-</u>	<u>1,300</u>	<u>142,205</u>
EXPENDITURES				
Maintenance & operations	68,973	-	45,082	114,055
Total expenditures	<u>68,973</u>	<u>-</u>	<u>45,082</u>	<u>114,055</u>
Excess (deficiency) of revenues over expenditures	<u>71,932</u>	<u>-</u>	<u>(43,782)</u>	<u>28,150</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	43,000	43,000
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>43,000</u>	<u>43,000</u>
Net change in fund balances	71,932	-	(782)	71,150
Fund balances-beginning	35,283	6,204	2,473	43,960
Fund balances-ending	<u>\$ 107,215</u>	<u>6,204</u>	<u>1,691</u>	<u>115,110</u>

City of Harrah, Oklahoma
Harrah Public Works Authority
Debt Service Coverage Schedule
For the Year Ended June 30, 2023

Gross Revenue Available For Debt Service:

Pledged sales tax (3 cents)	\$ 2,599,833
System-wide (water and sewer) gross revenues	<u>2,929,691</u>
 Total Gross Revenues Available	 <u>5,529,524</u>
 System-wide operating expense - Exclusive of capital improvements, sanitation, debt service and depreciation	 <u>1,603,909</u>
 Net Revenues Available for Debt Service	 <u><u>\$ 3,925,615</u></u>

Debt Service Requirements:

OWRB Revenue Note - Series 2004	62,048
OWRB Revenue Note - Series 2009	113,569
OWRB Revenue Note - Series 2011	37,941
OWRB Revenue Note - Series 2020	616,906
OWRB Revenue Note - Series 2022	156,150
Utility & Sales Tax Revenue Note - Series 2015	<u>104,480</u>
 Maximum annual debt service	 <u><u>\$ 1,091,094</u></u>
 Debt Coverage Ratio	 <u><u>3.60</u></u>
 Coverage requirement	 <u><u>1.25</u></u>

City of Harrah, Oklahoma
Harrah Tax Increment Financing Authority
Debt Service Coverage Schedule
For the Year Ended June 30, 2023

Gross Revenue Available For Debt Service:

Pledged use tax \$ 655,141

Net Revenues Available for Debt Service \$ 655,141

Debt Service Requirements:

Revenue note - Series 2019 79,678

Maximum annual debt service \$ 79,678

Coverage 8.22

City of Harrah, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM/ CLUSTER TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASS - THROUGH GRANTOR NUMBER	FEDERAL EXPENDITURES
<u>U.S. Department of Justice</u>			
<i>Direct Assistance:</i>			
Public Safety Partnership and Community Grant Policing Grant	16.710	OK-05511	\$ <u>52,202</u>
Total U.S. Department of Justice			<u>52,202</u>
<u>U.S. Department of Treasury</u>			
<i>Passed through the Oklahoma Office of Management and Enterprise Services:</i>			
<i>Direct Assistance:</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>293,767</u>
Total U.S. Department of Treasury			<u>293,767</u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed through the Oklahoma County, Oklahoma:</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	97.067	N/A	<u>12,607</u>
Total U.S. Department of Homeland Security			<u>12,607</u>
Total Expenditures of Federal Awards			<u>\$ 358,576</u>

Footnotes to Schedule of Expenditures of Federal Awards:

1. The Schedule of Expenditures of Federal Awards is prepared on a basis consistent with the measurement of awards expended as defined in Uniform Guidance. This may differ at times from the modified cash basis by accruing certain grant expenditures.

City of Harrah, Oklahoma
 Schedule of Expenditures of State Awards
 For the Year Ended June 30, 2023

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	PASS - THROUGH GRANTOR NUMBER	STATE EXPENDITURES
STATE ASSISTANCE		
<u>State of Oklahoma</u>		
Passed through the Oklahoma Dept. of Agriculture, Food and Forestry Services :		
Rural Fire Grant	FY 2022	\$ <u>4,500</u>
Total State of Oklahoma		\$ <u>4,500</u>
Total State Awards		\$ <u><u>4,500</u></u>



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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 Users of the City of Harrah, Oklahoma, Annual Financial Report

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 Harrah, Oklahoma (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 31, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that 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 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 may exist that have not been identified.

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* - Continued

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Dillon & Associates, PC

Midwest City, Oklahoma
August 31, 2023