

CITY OF OILTON
Oilton, Oklahoma

**ANNUAL FINANCIAL STATEMENTS &
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended June 30, 2023

CITY OF OILTON, OKLAHOMA
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Reconciliation Services, PLLC

350812 E 870 Rd
Stroud, Oklahoma 74049
(405) 570-7920

INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Oilton, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business type activities, and each major fund of the City of Oilton, 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, and each major fund 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 the modified cash basis of accounting as described in Note 1.B.

Basis for Opinion

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 opinion.

Emphasis of Matter

As discussed in Note 1.B, which describes the basis of accounting, the financial statements are prepared on the modified cash basis. Modified cash basis of accounting is an accounting basis other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Other Reporting Required by *Government Auditing Standard*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Regards,

Reconciliation Services PLLC

Stroud, Oklahoma

February 26, 2025

CITY OF OILTON
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
June 30, 2023

	Governmental Activities	Business-Type Activities	Totals
Assets			
Current Assets:			
Cash and cash equivalents	\$ 419,419	\$ 371,578	\$ 790,997
Restricted cash and cash equivalents	78,128	43,280	121,408
Due from other funds	-	101,827	101,827
Total Current Assets	<u>497,547</u>	<u>516,685</u>	<u>1,014,232</u>
Noncurrent Assets:			
Capital assets:			
Land	32,003	35,000	67,003
Other capital assets, net of accumulated depreciation	840,132	3,102,281	3,942,413
Total noncurrent assets	<u>872,135</u>	<u>3,137,281</u>	<u>4,009,416</u>
Total Assets	<u>1,369,682</u>	<u>3,653,966</u>	<u>5,023,648</u>
Liabilities			
Current liabilities:			
Due to other funds	101,827	-	101,827
Notes payable - current portion	14,524	203,562	218,086
Total Current Liabilities	<u>116,351</u>	<u>203,562</u>	<u>319,913</u>
Noncurrent liabilities:			
Refundable deposits	-	63,510	63,510
Judgment payable	14,524	-	14,524
Notes payable	-	1,682,004	1,682,004
Less: current portion	-	-	-
Total noncurrent liabilities	<u>14,524</u>	<u>1,745,514</u>	<u>1,760,038</u>
Total Liabilities	<u>130,875</u>	<u>1,949,076</u>	<u>2,079,951</u>
Net position			
Net Investment in Capital Assets	741,260	1,251,715	1,992,975
Restricted:			
Cemetery	71,457	-	71,457
Debt Service	6,671	-	6,671
Unrestricted	<u>419,419</u>	<u>453,175</u>	<u>872,594</u>
Total net position	<u>\$ 1,238,807</u>	<u>\$ 1,704,890</u>	<u>\$ 2,943,697</u>

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

CITY OF OILTON
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year Ended June 30, 2023

					Net (Expenses) Revenue and		
					Changes in Net Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities:							
General government	\$ 275,414	\$ -	\$ -	\$ 99,442	\$ (175,971)	\$ -	\$ (175,971)
Public safety	219,827	-	-		(219,827)	-	(219,827)
Streets & Alleys	6,055	-	-		(6,055)	-	(6,055)
Cemetery & Parks	126	22,888	-		22,761	-	22,761
Total government activities	501,422	22,888	-	99,442	(379,092)	-	(379,092)
Business-type activities							
Water & Sewer	283,589	488,976	-		-	205,387	205,387
Gas	217,989	292,954	-		-	74,965	74,965
General and administrative	216,801	3,000	-		-	(213,801)	(213,801)
Total business-type activities	718,378	784,930	-	-	-	66,552	66,552
Totals	\$ 1,219,800	\$ 807,817	\$ -	\$ 99,442	(379,092)	66,552	(312,541)
General Revenues							
Sales Tax					373,855	-	373,855
Use Tax					49,160	-	49,160
Ad Valorem					15,976	-	15,976
Franchise Tax					26,296	-	26,296
Alcoholic Beverage Tax					8,741	-	8,741
Cigarette and Tobacco Tax					2,525	-	2,525
Motor Vehicle and Gasoline Tax					6,105	-	6,105
Other					73,333	24,965	98,298
Interest income					1,267	2,738	4,005
Interest expense					(2,288)	(76,558)	(78,846)
Transfers: In					95,359	149,542	244,901
Transfers: Out					(158,379)	(86,522)	(244,901)
Total general revenues and transfers					491,950	14,165	506,115
Change in net position					112,857	80,717	193,574
Net position, June 30, 2022					1,157,953	1,624,173	2,782,126
Prior period adjustment					(32,003)	-	(32,003)
Net position, July 1, 2022					1,125,950	1,624,173	2,750,123
Net position, end of year					\$ 1,238,807	\$ 1,704,890	\$ 2,943,697

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

CITY OF OILTON
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Court Fund	Cemetery Fund	Sinking Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 244,599	\$ 116,662	\$ 58,158	\$ -	\$ 419,419
Restricted cash and cash equivalents	-	-	71,457	6,671	78,128
Total Assets	<u>\$ 244,599</u>	<u>\$ 116,662</u>	<u>\$ 129,615</u>	<u>\$ 6,671</u>	<u>\$ 497,547</u>
Liabilities					
Accounts Payable			-	-	-
Due to other funds	(13,130)	95,458	12,055	7,444	101,827
Total Liabilities	<u>(13,130)</u>	<u>95,458</u>	<u>12,055</u>	<u>7,444</u>	<u>101,827</u>
Fund Balances (Note I.D.)					
Restricted	-	-	71,457	6,671	78,128
Unrestricted	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	257,729	21,204	46,103	(7,444)	317,592
Total fund balances	<u>257,729</u>	<u>21,204</u>	<u>117,560</u>	<u>(773)</u>	<u>395,720</u>
Total liabilities and fund balances	<u>\$ 244,599</u>	<u>\$ 116,662</u>	<u>\$ 129,615</u>	<u>\$ 6,671</u>	<u>\$ 497,547</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.

The cost of the assets are \$2,047,875 and the accumulated depreciation is (\$1,175,769), net effect for reconciliation.

872,135

Due from other funds

(101,827)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

(29,048)

Net Position of Governmental Activities

\$ 1,238,807

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

CITY OF OILTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Court Fund	Cemetery Fund	Sinking Fund	Total Government Funds
Revenues:					
Sales Tax	\$ 373,855	\$ -	\$ -	\$ -	\$ 373,855
Use Tax	49,160	-	-	-	49,160
Ad Valorem		-	-	15,976	15,976
Franchise Tax	26,296	-	-	-	26,296
Alcoholic Beverage Tax	8,741	-	-	-	8,741
Cigarette and Tobacco Tax	2,525	-	-	-	2,525
Motor Vehicle Tax	5,181	-	-	-	5,181
Gasoline Tax	924	-	-	-	924
Fines and Forfeitures	1,261	57,116	-	-	58,377
Charges for Services	-	-	125	-	125
Grants	99,442	-	-	-	99,442
Rent	7,163	-	15,600	-	22,763
Cemetery	4,215	-	-	-	4,215
Fire	2,264	-	-	-	2,264
Miscellaneous local	8,477	-	-	-	8,477
Interest	315	560	308	84	1,267
Total Revenues	<u>589,819</u>	<u>57,676</u>	<u>16,033</u>	<u>16,059</u>	<u>679,588</u>
Expenditures:					
Current:					
General	213,117	20,515	2,500	20	236,152
Public Safety	188,489	-	-	-	188,489
Streets and Alleys	5,192	-	-	-	5,192
Cemetery and Parks	108	-	-	-	108
Capital Outlay		-	10,361	-	10,361
Debt service:					
Debt Principal Payment	-	-	-	14,524	14,524
Debt Interest Payment	-	-	-	2,288	2,288
Total expenditures paid	<u>406,907</u>	<u>20,515</u>	<u>12,861</u>	<u>16,832</u>	<u>457,115</u>
Excess of revenues collected over (under) expenditures	182,912	37,161	3,172	(773)	222,473
Other Financing Sources (Uses)					
Operating Transfers In	95,359	-	-	-	95,359
Operating Transfers Out	(149,542)	(5,847)	(2,990)	-	(158,379)
Total Other Financing Sources (Uses)	<u>(54,183)</u>	<u>(5,847)</u>	<u>(2,990)</u>	<u>-</u>	<u>(63,020)</u>
Net change in fund balances	128,729	31,314	183	(773)	159,453
Fund balances, beginning of year	<u>129,000</u>	<u>(10,110)</u>	<u>117,377</u>	<u>-</u>	<u>236,267</u>
Fund balances, end of year	<u>\$ 257,729</u>	<u>\$ 21,204</u>	<u>\$ 117,560</u>	<u>\$ (773)</u>	<u>\$ 395,720</u>

Cont.

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

CITY OF OILTON
RECONCILIATION OF THE STATEMENT OF REVIEWS, EXPENDITURES AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Excess (deficiency) of revenues over expenditures total governmental funds:	\$ 159,453
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital outlay	10,361
Depreciation expense	(71,480)
Principal repayments	14,523
	<hr/>
Change in net position of governmental activities	<u><u>\$ 112,857</u></u>

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

CITY OF OILTON
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
June 30, 2023

	Public Works Authority	Industrial and Redevelopment Authority	Totals
Assets			
Current Assets			
Cash and cash equivalents	\$ 313,884	\$ 57,694	\$ 371,578
Restricted cash and cash equivalents	43,280	-	43,280
Due from other	101,327	500	101,827
Total current assets	458,491	58,194	516,685
Noncurrent Assets			
Capital assets:			
Land	35,000	-	35,000
Buildings & Improvements	7,084	-	7,084
Equipment & vehicles	237,170	-	237,170
Infrastructure	4,945,108	-	4,945,108
Less accumulated depreciation	(2,087,081)	-	(2,087,081)
Total noncurrent assets	3,137,281	-	3,137,281
Total Assets	3,595,772	58,194	3,653,966
Liabilities			
Current liabilities			
Notes payable - current portion	203,562	-	203,562
Refundable meter deposits	63,510	-	63,510
Total current liabilities	267,072	-	267,072
Noncurrent liabilities			
Notes payable - long-term portion	1,682,004	-	1,682,004
Total noncurrent liabilities	1,682,004	-	1,682,004
Total liabilities	1,949,076	-	1,949,076
Net position			
Invested in capital assets	1,568,863	55,310	1,624,173
Restricted			
Debt Service	43,280	-	43,280
Unrestricted	34,553	2,884	37,437
Total net position	\$ 1,646,696	\$ 58,194	\$ 1,704,890

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

CITY OF OILTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR END JUNE 30, 2023

	Public Works Authority	Industrial and Redevelopment Authority	Totals
Revenues:			
Charges for services:			
Water	\$ 190,095	\$ -	\$ 190,095
Sewer	155,379	-	155,379
Sanitation	143,502	-	143,502
Gas	292,954	-	292,954
Rental	-	3,000	3,000
Penalties and late fees	21,906	-	21,906
Miscellaneous	3,060	-	3,060
Total operating revenues	<u>806,896</u>	<u>3,000</u>	<u>809,896</u>
Operating Expenses:			
Water	49,576	-	49,576
Sewer	53,509	-	53,509
Sanitation	134,245	-	134,245
Gas	182,431	-	182,431
General and administrative	216,501	300	216,801
Depreciation	81,816	-	81,816
Total operating expenses	<u>718,079</u>	<u>300</u>	<u>718,379</u>
Net operating income	<u>88,817</u>	<u>2,700</u>	<u>91,517</u>
Nonoperating revenue (expense)			
Interest income	2,555	184	2,738
Interest (expense)	(76,558)	-	(76,558)
Operating transfers in	149,542		149,542
Operating transfers out	(86,522)	-	(86,522)
Total transfers	<u>(10,984)</u>	<u>184</u>	<u>(10,800)</u>
Change in Net Position	77,833	2,884	80,717
Fund balances, beginning	<u>1,568,863</u>	<u>55,310</u>	<u>1,624,173</u>
Fund balances, end of year	<u><u>\$ 1,646,696</u></u>	<u><u>\$ 58,194</u></u>	<u><u>\$ 1,704,890</u></u>

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

CITY OF OILTON
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2023

	Public Works Authority	Industrial and Redevelopment Authority	Totals
Cash flows from operating activities			
Receipts from customers	\$ 814,391	\$ 3,000	\$ 817,391
Payments to suppliers	(790,424)	(300)	(790,724)
Net cash provided (used) by operating activities	23,968	2,700	26,668
Cash flows from noncapital financing activities			
Transfers from other funds	59,283	(500)	58,783
Net cash provided (used) by noncapital financing activities	59,283	(500)	58,783
Cash flows from capital and related financing activities			
Purchase of capital assets	26,034	-	26,034
Principal paid on capital debt	(117,432)	-	(117,432)
Interest paid on capital debt	(76,558)	-	(76,558)
Net cash provided (used) by capital and related financing activities	(167,956)	-	(167,956)
Cash flows from investing activities			
Interest income	2,555	184	2,739
Net cash provided (used) by investing activities	2,555	184	2,739
Net increase (decrease) in cash and cash equivalents	(82,152)	2,384	(79,768)
Cash balance beginning of year	439,315	55,310	494,625
Cash balance end of year	<u>\$ 357,164</u>	<u>\$ 57,694</u>	<u>\$ 414,858</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ 88,817	\$ 2,700	\$ 91,517
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	(71,480)	-	(71,480)
Increase in refundable meter deposits	6,630	-	6,630
Net cash provided by operating activities	<u>\$ 23,968</u>	<u>\$ 2,700</u>	<u>\$ 26,668</u>

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

CITY OF OILTON
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Oilton, Oklahoma, (the City) is a form of government authorized by the charter and Title 11 of the Oklahoma Statutes. The governing body of the City is the City Council comprised of eight elected members, two from each Ward.

The accompanying financial statements present the City of Oilton and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Unit

The Oilton Public Works Authority (the Authority) serves all the citizens of the government and is governed by a board comprised of the government's elected council. The rates for user charges and bond issuance authorizations are approved by the government's council and the legal liability for the general obligation portion of the Authority's debt remains with the government. The Authority is presented as an enterprise fund.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long term debt is recorded when incurred.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Fund Financial Statements

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

CITY OF OILTON
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

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

The City reports on the following Major Government Funds:

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

Sinking Fund – is a special revenue fund that provides for the levy of ad valorem tax over a three-year period for the payment of any court assessed judgment against the City.

The Non-Major Governmental funds include the Court Fund which accounts for all activities of the court and the Cemetery Care Fund which provides money for the maintenance of the cemetery and includes a perpetual component which is restricted to purchase cemetery land.

The statement of revenues, expenses and changes in net position demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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.

Program revenues are presented in the statement of activities and are derived directly from activities of the general government or from parties outside the City’s taxpayers. Program revenues consist of:

- General government activities including license, permits and operating grants
- Public safety activities including police, fire and ambulance runs, rural fire policies and operating grants
- Streets and highways including gas excise and commercial vehicle taxes

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

The City reports the Oilton Public Works Authority (OPWA) as a major proprietary fund. OPWA accounts for and operates the activities related to the provision of water, sewer, gas and sanitation services to businesses and residents. Proprietary funds are accounted for using the modified cash basis of accounting modified as follows:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Customer Meter deposits are held and recorded as a liability.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF OILTON

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2023

C. Assets, Liabilities and Net Position or Equity

1. Deposits and investments

For the purpose of the statement of cash flows, the city considers short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents. As of June 30, 2023, the city holds restricted cash and cash equivalents of \$121,408 and cash of \$790,997.

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

The City does not have a specific policy limiting the concentration amount that may be invested with one issuer. The City has no formal policy on managing credit risk.

Public trusts created under Oklahoma Statutes Title 60 are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

2. Interfund transactions

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

3. Restricted assets

Certain proceeds of the Authority's notes payable, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable loan covenants. The debt service reserve accounts are used to report resources set aside to make up potential futures deficiencies, or to meet unexpected contingencies or to fund asset construction, renewals and replacements. Customer utility deposits are reported as restricted cash.

4. Capital assets

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

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

Assets	Years
Buildings	50
Building Improvements	10-20
Infrastructure	50
System Infrastructure	30-50
Vehicles, Office Equip.	5
Machinery & Equipment	10

CITY OF OILTON
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

5. Fund balances and net position

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

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City did not have any nonspendable resources as of June 30, 2023.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has restricted resources by state law and from grants as of June 30, 2023.

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

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the council delegating this responsibility to management through the budgetary process. The City did not have any assigned resources as of June 30, 2023.

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

As of June 30, 2023, fund balances are composed of the following:

The City would typically use restricted fund balances first, followed by committed resources and the assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

	General Fund	Court Fund	Cemetery Fund	Sinking Fund	Total
Restricted for:					
Cemetery		-	71,457	-	71,457
Judgment	-	-	-	6,671	6,671
Total Restricted	-	-	71,457	6,671	78,128
Committed to:					
Unassigned	257,729	21,204	46,103	(7,444)	317,592
Total Fund Balances	\$ 257,729	\$ 21,204	\$ 117,560	\$ (773)	\$ 395,720

CITY OF OILTON
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

6. Prior Period Adjustment

A prior period adjustment to beginning net position was made to correct an error in the prior year's fixed assets ending balance for governmental activities.

D. Compensated Absences

Due to the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid.

E. Budgetary Information

The City submits an Estimate of Needs to the Creek County Excise board each year in September for approval. The Estimate of Needs is prepared on the cash basis and serves as the budget for the General Fund.

In addition, the Sinking Fund Estimate of Needs for 2022-2023 was submitted to the Creek County Excise board in November 2022 for the purpose of Ad Valorem tax levy in the amount of \$16,811.75. The board approved in November 2022.

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

F. Deposits and Investments

A summary of cash and investments shown in the statement of net position follows:

Deposits and Investments at June 30, 2023:	Maturity		
Asset Classification:	(Months)	Credit Rating	Carrying Value
Demand deposits	N/A	N/A	\$ 882,260
Time deposits - maturities less than one year		N/A	15,731
Total Deposits and Investments:			<u>\$ 897,991</u>
Reconciliation of Cash to Statement of Net Position			
Governmental Activities			\$ 497,547
Business-Type Activities			400,444
			<u>\$ 897,991</u>

Deposit Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City follows state statutes regarding custodial credit risk which requires collateral for all deposits in excess of Federal Deposit Insurance. At June 30, 2023, the bank balance was insured and collateralized.

Interest Rate Risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk: Credit risk is the risk that an issuer of a debt-type investment will not fulfill its obligation to the holder of the investment. 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

CITY OF OILTON
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

of investments in debt securities as determined by nationally recognized statistical rating organizations – rating agencies – as of the year end.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City does not have a formal policy limiting the amount that may be invested with one issuer.

G. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	6/30/2022 Balance	Additions	Deletion/ Adjustments	6/30/2023 Balance
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 32,003	\$ -	\$ -	\$ 32,003
Total capital assets not being depreciated	32,003	-	-	32,003
Other capital assets:				
Buildings & Improvements	387,470	-	-	387,470
Equipment and Vehicles	1,119,573	10,361	-	1,129,934
Infrastructure	498,461	-	-	498,461
Total other capital assets at historical cost	2,005,504	10,361	-	2,015,865
Less accumulated depreciation				
Buildings & Improvements	225,544	8,713	-	234,257
Equipment and Vehicles	700,123	35,139	-	735,262
Infrastructure	190,154	22,085	(5,995)	206,244
Total accumulated depreciation	1,115,821	65,936	(5,995)	1,175,762
Other capital assets, net of depreciation	889,683	(55,575)	5,995	840,103
Governmental activities capital assets, net	<u>\$ 921,686</u>	<u>\$ (55,575)</u>	<u>\$ 5,995</u>	<u>\$ 872,106</u>
	6/30/2022 Balance	Additions	Deletions	6/30/2023 Balance
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Total capital assets not being depreciated	35,000	-	-	35,000
Other capital assets:				
Buildings & Improvements	7,084	-	-	7,084
Equipment and Vehicles	237,170	-	-	237,170
Infrastructure	4,945,108	-	-	4,945,108
Total other capital assets at historical cost	5,189,362	-	-	5,189,362
Less accumulated depreciation for:				
Buildings & Improvements	3,187	-	3,897	7,084
Equipment and Vehicles	185,825	9,922	(3,121)	192,626
Infrastructure	1,812,385	71,895	3,092	1,887,372
Total accumulated depreciation	2,001,397	81,816	3,868	2,087,081
Other capital assets, net	3,187,965	(81,816)	(3,868)	3,102,281
Business-type activities capital assets, net	<u>\$ 3,222,965</u>	<u>\$ (81,816)</u>	<u>\$ (3,868)</u>	<u>\$ 3,137,281</u>

CITY OF OILTON
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

G. Capital Assets – (continued)

Depreciation expense was charged to functions as follows in the Statement of Activities:

Primary Government:	
General government	\$ 3,966
Fire	17,833
Police	14,578
Parks	5,570
Streets & Alleys	<u>29,533</u>
Total depreciation expense for governmental activities	<u><u>71,480</u></u>
Business-Type Activities	
Gas	\$ 850
Sewer	42,119
Utility	655
Water	<u>38,192</u>
Total depreciation expense for business-type activities	<u><u>\$ 81,816</u></u>

H. Interfund Receivables, Payables and Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

I. Long-Term Liabilities

A summary of long-term liability activity for the year ended June 30, 2023, are as follows

Type of Debt	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023	Due Within One Year
Governmental Activities:					
Judgment	\$ -	\$ 43,573	\$ (14,524)	\$ 29,048	\$ 14,524
Business-type Activities:					
Promissory note	<u>2,076,603</u>	<u>-</u>	<u>(191,037)</u>	<u>1,885,566</u>	<u>203,562</u>
Total	<u><u>\$ 2,076,603</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (205,561)</u></u>	<u><u>\$ 1,914,614</u></u>	<u><u>\$ 218,086</u></u>

CITY OF OILTON
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

I. Long-Term Liabilities -- (continued)

Governmental Activities:

DOC's Food Stores, Inc. Economic Development Agreement Creek County Ad Valorem \$ 29,048
tax levy to be paid over 3 years at an average rate of 8.25% beginning June 21, 2023.

Total governmental long-term debt of the financial reporting entity: \$ 29,048

Business-Type Activities:

BlueMark Payment Plan

On May 12, 2021 the OPWA entered into a payment plan agreement for gas purchases related to a historic ice event that occurred in February 2021. The original principal balance for the BlueMark Payment Plan was \$416,172 financed over 60 months with monthly payments of \$9,246 and bearing interest at 12%, compounded monthly. If any payments are not paid timely, the entire remaining principal and accrued interest is due immediately.

\$ 272,447

Oklahoma Water Resources Board Note

On March 15, 2015 OPWA entered into a note payable to Oklahoma Water Resources Board in the amount of \$2,551,028 due in semi-annual installments each March 15 and September 15 maturing September 15, 2034 at a rate of 2.76%. The note is secured by water and sewer revenues, system assets, and pledged sales tax receipts. In the event of default, the lender may 1) file suit for specific performance of covenants, 2) acceleration of payment of principal and accrued interest on all bonds, 3) appoint temporary trustees to take over, operate and maintain the system, 4) file suit to enforce or enjoin action or inaction of parties under provisions of the indenture.

1,613,119

Total business activity long-term debt of the financial reporting entity: \$ 1,885,566

Annual debt services payments to maturity for long-term debt as of June 30, 2023 are as follows:

Governmental activities:

For the Year End	BlueMark		OWRB	
	Prin	Int	Prin	Int
2024	\$ 82,940	\$ 28,230	120,622	\$ 36,381
2025	93,459	17,711	124,140	33,501
2026	96,048	5,858	127,639	30,636
2027	-	-	131,235	27,691
2028	-	-	134,853	24,728
2029-2033	-	-	731,887	74,859
2034-2035			242,743	5,558
	<u>\$ 272,447</u>	<u>\$ 51,799</u>	<u>\$ 1,613,119</u>	<u>\$ 233,354</u>

CITY OF OILTON
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

Interest charged to governmental activities and business-type activities for year ended June 30, 2023, is as follows:

Governmental activities:

Judgment \$ 2,288

Business-Type activities:

Sewer 76,558

J. Restricted Assets

Restricted cash as of June 30, 2023 is as follows:

Funds restricted for other purposes:

Meter Deposits	\$ 43,280
Cemetery Care	71,457
Sinking Fund	6,671
Total Restricted cash	<u>\$ 121,408</u>

K. Pension Plans

Municipal Retirement Plan Participation

The City of Oilton participates in two pension or retirement plans:

- Oklahoma Municipal Retirement Fund Employee System of Oilton, Oklahoma – an agent multi-employer defined benefit plan
- Oklahoma Firefighter’s Pension and Retirement System – a statewide cost-sharing plan

Oklahoma Municipal Retirement Fund Employee System of Oilton, Oklahoma (OkMRF)

The City of Oilton contributes to the OkMRF plan for all full-time eligible employees except police, fire and others not covered under another retirement system. Employees are eligible after 10 or more years of vesting service.

The OkMRF issues a publicly available financial report that includes financial statements and the required supplementary information that can be obtained from the Oklahoma Municipal Retirement System, 525 Central Park Drive, Oklahoma City, OK 73105.

1. Eligibility for Distribution

- Normal retirement at age 65 with 10 or more years of vesting service
- Early retirement at age 55 with 10 or more years of vesting service with accrued benefits reduced by 5% per year for commencement prior to normal retirement age
- Total and permanent disability with 10 or more years of vesting service with accrued benefits payable upon disablement without reduction for early payment
- Termination before retirement age results in returning the employee contributions with interest
- In-service death results in returning employee contributions with interest with 50% of the accrued benefit payable to the spouse until death or until remarriage or if not married, benefit is payable for 5 years certain

CITY OF OILTON
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

2. Plan Contributions

- Eligible employees contribute 5.25% of pay
- Employer contributes 2.51% of pay

3. Payment Options

- Normal - monthly lifetime annuity with 5 years certain
- Optional – actuarially equivalent, payment options are available
 - Joint and 50% survivor annuity
 - Joint and 66 2/3rds% last survivor annuity
 - Joint and 100% survivor annuity
 - Lump sum

This plan has not elected automatic post-retirement cost-of living adjustments.

The eligible employees contributed \$1,505 and the city contributed \$2,413 for the year ended June 30, 2023.

Firefighters Pension & Retirement System (OFPRS)

The city of Oilton participates in the Firefighters Pension & Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (OFPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OFPRS. For the year ended June 30, 2023, the City of Oilton had only volunteer firefighters participating in the OFPRS benefit plan.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414

Due to a modified cash basis of accounting, the City does not report a net pension liability, deferred outflow or deferred inflow related to its pension plan. Pension costs include only the amounts paid in cash for employee benefits during the fiscal year.

The City of Oilton contributed a total of \$840 or 14 volunteer firefighters at \$60 each to the OFPRS for the year ended June 30, 2023.

L Commitments and Contingencies

Litigation

From time to time, the City and its public trust may be parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations; however the City's legal counsel advises that at report date there were no pending issues. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a sinking fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) The City also carries insurance that provides some degree of protection for litigation and legal proceedings.

CITY OF OILTON
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

Federal and State Award Programs

The City participates in various federal or state grant or loan programs from year to year. These programs are subject to program compliance audits by the grantors or their representatives for the purpose of ensuring compliance with specific conditions of the grant or loan. The final acceptance of the audits of these programs including the year ended June 30, 2023, has not been given. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, the City expects such amounts, if any, to be immaterial.

M. Risk Management

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

N. Subsequent Events

The City has evaluated subsequent events through February 25, 2025, which is the date the financial statements were available to be issued.



Reconciliation Services, PLLC

350812 E 870 Rd
Stroud, Oklahoma 74049
(405) 570-7920

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*

Independent Auditor's Report

To the Board of Trustees
City of Oilton, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Oilton, 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 modified cash basis financial statements, and have issued our report thereon dated February 26, 2025.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Regards,

Reconciliation Services PLLC

Stroud, Oklahoma

February 26, 2025