



PIEDMONT

Oklahoma

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

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

THE CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023

CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Piedmont, Oklahoma

Report on 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 City of Piedmont, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Piedmont, Oklahoma's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piedmont, Oklahoma, 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 of Piedmont, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension plan schedules, on pages 9-15 and 56-61, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Piedmont, Oklahoma's basic financial statements. The nonmajor governmental combining statements, schedule of expenditures of federal and state awards and the schedule of debt service coverage requirements 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 nonmajor governmental combining statements, schedule of expenditures of federal and state awards and the schedule of debt service coverage requirements 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 January 15, 2024, on our consideration of the City of Piedmont, Oklahoma’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Piedmont, Oklahoma’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Piedmont, Oklahoma’s internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
January 15, 2024

CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

As Management of the City of Piedmont, we offer readers this narrative overview and analysis of the financial activities of the City of Piedmont 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 HIGHLIGHTS

- The City's total net position increased by \$3.5 million and the assets and deferred outflows of the City continued to exceed its liabilities and deferred inflows at June 30, 2023, by \$28.3 million (net position). Of this amount, \$5.2 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2023, the City's governmental funds reported combined ending fund balances of \$3,143,533. Of that amount, there is not any unassigned fund balance available for spending at the government's discretion (unassigned fund balance) of the General Fund, as all the General Fund, fund balance is either restricted or assigned.
- At the end of fiscal year 2023, the unassigned fund balance for the General Fund was zero.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Piedmont, the Piedmont Special Projects Authority (the "City") and the Piedmont Municipal Authority (the "Authority"). Included in this report are government-wide statements for each of two categories of activities: governmental and business-type.

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 activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure), along with deferred outflows, as well as all liabilities (including long-term debt) and deferred inflows.

Reporting the City as a Whole - Statements of Net Position and Activities

This discussion and analysis is intended to serve as an introduction to the City of Piedmont's basic financial statements. 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, deferred outflows, liabilities and deferred inflows 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.

(Unaudited. See accompanying auditor's report.)

These two statements report 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 plus deferred outflows, less liabilities and deferred inflows – as one way to measure the City's financial condition. Over time, increases or decreases in the City's net position are one indicator of whether its financial health 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 of the City.

The Statement of Net Position and the Statement of Activities are divided into two types 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 grants finance most of these activities.
- *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

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. The City of Piedmont, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 of Piedmont can be divided into two categories: governmental funds and proprietary funds.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. These funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic 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 those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.
- *Proprietary funds* – 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. Enterprise funds are one type of proprietary funds and are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water, sewer and sanitation services. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

Notes to the Financial Statements

The notes provide additional information that is essential to gain understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 27-54 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund, the Street & Alley Fund and the Fire Department Restricted Sales Tax Fund, combining and individual fund financial statements and schedules, a state and federal award expenditures schedule and a debt service coverage schedule.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2023	2022		2023	2022		2023	2022	
Assets:									
Current assets	\$ 6,442	\$ 7,526	-14%	\$ 1,833	\$ 1,176	56%	\$ 8,275	\$ 8,702	-5%
Capital assets, net	15,673	10,883	44%	11,341	10,652	6%	27,014	21,535	25%
Other non-current assets	723	1,263	-43%	280	257	9%	1,003	1,520	-34%
Total assets	22,838	19,672	16%	13,454	12,085	11%	36,292	31,757	14%
Deferred outflows of resources:									
Deferred amounts related to pension	743	628	18%	137	71	93%	880	699	26%
Liabilities:									
Current liabilities	3,266	1,177	177%	1,198	1,077	11%	4,464	2,254	98%
Non-current liabilities	2,077	1,496	39%	1,599	2,037	-22%	3,676	3,533	4%
Total liabilities	5,343	2,673	100%	2,797	3,114	-10%	8,140	5,787	41%
Deferred inflows of resources:									
Deferred amounts related to pension	80	1,114	-93%	35	85	-59%	115	1,199	-90%
Deferred amounts related to leases	645	666	-3%	-	-	-	645	666	-3%
Total deferred inflow of resources	725	1,780	-59%	35	85	-59%	760	1,865	-59%
Net position:									
Net investment in capital assets	13,469	10,045	34%	9,336	8,098	15%	22,805	18,143	26%
Restricted	211	790	-73%	38	37	3%	249	827	-70%
Unrestricted	3,833	5,012	-24%	1,385	822	68%	5,218	5,834	-11%
Total net position	\$ 17,513	\$ 15,847	11%	\$ 10,759	\$ 8,957	20%	\$ 28,272	\$ 24,804	14%

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets and deferred outflows exceeded liabilities and deferred inflows by \$28,271,693 at the close of the most recent fiscal year.

The largest portion of the City's net position reflects its net investment in capital assets used to acquire those assets that are still outstanding. This year, the net investment in capital assets amounted to approximately \$22.8 million. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

A portion of the City's net position, approximately \$249,000, represents resources that are subject to internal and external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5.2 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The changes in the deferred outflow/inflows, the net pension liability and net pension asset relate to a number of actuarial factors in all three defined benefit retirement plans. This affects non-current assets and non-current liabilities as well as the deferred outflows and inflows.

The increase in capital assets, net for governmental activities is due to the increase in roadway improvements throughout the City and the dedicated roads in a development within the City. This dedication is also the reason for the increase in business-type activities capital assets as well. A developer dedicated the infrastructure associated with waterlines. This also increases the net investment in capital assets in net position.

Governmental current liabilities increased due to accounts payable associated with the construction of the roadway improvements.

The restricted net position for governmental activities decreased due to the usage of the restricted infrastructure cash for roadway improvements.

Changes in Net Position

For the year ended June 30, 2023, net position of the primary government changed as follows:

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2023	2022		2023	2022		2023	2022	
Revenues									
Charges for service	\$ 412	\$ 631	-35%	\$ 3,899	\$ 3,982	-2%	\$ 4,311	\$ 4,613	-7%
Operating grants and contributions	330	238	39%	-	-	-	330	238	39%
Capital grants and contributions	2,140	-	100%	784	-	100%	2,924	-	100%
Taxes	4,571	4,328	6%	-	-	-	4,571	4,328	6%
Intergovernmental revenue	85	83	2%	-	-	-	85	83	2%
Investment income	24	13	85%	5	-	100%	29	13	123%
Miscellaneous	123	45	173%	605	587	3%	728	632	15%
Total revenues	7,685	5,338	44%	5,293	4,569	16%	12,978	9,907	31%
Expenses									
General government	1,182	1,162	2%	-	-	-	1,182	1,162	2%
Public safety	2,280	1,908	19%	-	-	-	2,280	1,908	19%
Streets	1,026	888	16%	-	-	-	1,026	888	16%
Community development	293	192	53%	-	-	-	293	192	53%
Culture, parks and recreation	241	229	5%	-	-	-	241	229	5%
Interest on long-term debt	40	44	-9%	-	-	-	40	44	-9%
Water	-	-	-	2,670	2,167	23%	2,670	2,167	23%
Wastewater	-	-	-	583	509	15%	583	509	15%
Sanitation	-	-	-	1,196	953	25%	1,196	953	25%
Total expenses	5,062	4,423	14%	4,449	3,629	23%	9,511	8,052	18%
Excess (deficiency) before transfers	2,623	915	-187%	844	940	-10%	3,467	1,855	87%
Transfers	(958)	454	-311%	958	(454)	311%	-	-	-
Increase in net position	\$ 1,665	\$ 1,369	22%	\$ 1,802	\$ 486	271%	\$ 3,467	\$ 1,855	87%

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

The City's governmental and business-type capital grants and contributions increased due the dedication of infrastructure to the City by a development.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, 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 the 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.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2023	2022		2023	2022	
General government	\$1,182	\$1,162	2%	(\$887)	(\$729)	22%
Public safety	2,280	1,908	19%	(1,922)	(1,566)	23%
Streets	1,026	888	16%	1,186	(814)	-246%
Community Development	293	192	53%	(293)	(192)	53%
Culture, parks and recreation	241	229	5%	(223)	(209)	7%
Interest on long-term debt	40	44	-9%	(40)	(44)	-9%
Total	\$5,062	\$4,423	14%	(\$2,179)	(\$3,554)	-39%

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

Business-type Activities

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2023	2022		2023	2022	
Water	\$ 2,670	\$ 2,167	23%	\$ 449	\$ 223	101%
Wastewater	583	509	15%	(171)	(87)	97%
Sanitation	1,196	953	25%	(43)	216	-120%
Total	\$ 4,449	\$ 3,629	23%	\$ 235	\$ 352	-33%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2023 fiscal year, the governmental funds reported a combined fund balance of approximately \$3.1 million, or a 50% decrease from the prior year. The enterprise fund reported total net position of approximately \$10.8 million, or a 20% increase from the prior year.

Other fund highlights include:

- For the year ended June 30, 2023, the General Fund's total fund balance decreased by \$1.6 million, or 33%, while the Capital Improvement's total fund balance decreased by \$1.4 million or -375%.
- The Fire Fund had a decrease in fund balance of \$2,213 or 1%.
- The Piedmont Municipal Authority reported an increase in net position, after transfers, of \$1.8 million for the year.

General Fund Budgetary Highlights

For the year ended June 30, 2023, the General Fund reported actual revenues under final estimates by \$1 million or a 19% negative variance. General Fund actual expenditures were under final appropriations by \$850,491 or a 13% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2023, the City had approximately \$27 million invested in capital assets including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net increase of approximately \$5 million from last year.

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

TABLE 5
Primary Government Capital Assets
(In Thousands)
(Net of accumulated depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land	\$ 58	\$ 58	\$ -	\$ 791	\$ 58	\$ 849
Buildings and Improvements	2,447	2,592	-	-	2,447	2,592
Machinery, furniture and equipment	1,279	1,452	-	144	1,279	1,596
Infrastructure	9,199	5,204	240	9,458	9,439	14,662
Intangible water rights	-	-	301	33	301	33
Intangible Equipment	13	23	-	-	13	23
Construction in progress	2,677	1,577	791	226	3,468	1,803
Totals	\$ 15,673	\$ 10,906	\$ 1,332	\$ 10,652	\$ 17,005	\$ 21,558

Major capital asset additions include:

Pipejunter Trailer Jetter	\$100,475
Waterlines by development	\$783,988
Various Road Improvements	\$6,082,954

Long-Term Debt

At year-end, the City had \$2,898,883 in long-term obligations outstanding, which represents a \$644,604 decrease from the prior year.

TABLE 6
Primary Government Long-Term Debt
(In Thousands)

	Governmental		Business-Type		Total		Total Percentage Change
	Activities		Activities				
	2023	2022	2023	2022	2023	2022	
Accrued absences	\$ 161	\$ 145	\$ 52	\$ 40	\$ 213	\$ 185	15%
Notes payable	689	782	1,981	2,553	2,670	3,335	-20%
Lease obligations	16	23	-	-	16	23	-30%
Totals	\$ 866	\$ 950	\$ 2,033	\$ 2,593	\$ 2,899	\$ 3,543	-18%

The Upcoming Year

- The City will continue to move forward with needed road improvements.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 314 Edmond Rd NW, Piedmont Oklahoma 73078 or phone at (405) 373-2621.

(Unaudited. See accompanying auditor's report.)

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Statement of Net Position– June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 5,190,469	\$ 1,372,327	\$ 6,562,796
Restricted cash and equivalents	215,878	37,885	253,763
Receivables:			
Accounts receivable, net of allowance	-	441,154	441,154
Due from other governments	855,071	-	855,071
Court fine receivable, net	145,145	-	145,145
Lease receivable	17,159	-	17,159
Internal Balances	17,798	(17,798)	-
Total current assets	6,441,520	1,833,568	8,275,088
Noncurrent Assets:			
Restricted cash and cash equivalents	-	279,792	279,792
Net pension asset	86,517	-	86,517
Lease Receivable	636,933	-	636,933
Capital Assets:			
Land, improvements and construction in progress	2,735,739	1,125,302	3,861,041
Other capital assets, net of depreciation	12,924,069	10,215,831	23,139,900
Equipment leased, net of amortization	13,296	-	13,296
Total noncurrent assets	16,396,554	11,620,925	28,017,479
Total assets	22,838,074	13,454,493	36,292,567
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pension	743,048	137,250	880,298
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	1,643,701	471,878	2,115,579
Accrued interest	-	4,661	4,661
Due to other governmental agencies	802	-	802
Due to depositors	-	279,792	279,792
Unearned Revenues	1,508,625	-	1,508,625
Long-term liabilities:			
Due within one year:			
Notes payable	89,328	436,544	525,872
Lease obligation	7,585	-	7,585
Compensated absences	16,075	5,258	21,333
Total current liabilities	3,266,116	1,198,133	4,464,249
Non-current Liabilities:			
Due in more than one year:			
Notes payable	599,583	1,544,240	2,143,823
Lease obligation	8,269	-	8,269
Net pension liability	1,324,848	7,598	1,332,446
Compensated absences	144,673	47,328	192,001
Total noncurrent liabilities	2,077,373	1,599,166	3,676,539
Total liabilities	5,343,489	2,797,299	8,140,788
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pension	79,982	35,081	115,063
Deferred amounts related to leases	645,321	-	645,321
Total Deferred Inflows	725,303	35,081	760,384
NET POSITION			
Net investment in capital assets	13,468,418	9,335,796	22,804,214
Restricted by:			
Debt Service	-	37,885	37,885
Police	1,000	-	1,000
Municipal Court	210,248	-	210,248
Unrestricted	3,832,664	1,385,682	5,218,346
Total net position	\$ 17,512,330	\$ 10,759,363	\$ 28,271,693

See accompanying notes to the financial statements.

CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Statement of Activities – For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 1,181,981	\$ 221,246	\$ 73,422	\$ -	\$ (887,313)	\$ -	\$ (887,313)
Public Safety	2,279,803	190,945	166,663	-	(1,922,195)	-	(1,922,195)
Highways and Streets	1,026,172	-	71,668	2,140,462	1,185,958	-	1,185,958
Community Development	292,978	-	-	-	(292,978)	-	(292,978)
Culture and Recreation	241,314	-	18,146	-	(223,168)	-	(223,168)
Interest on Long-term debt	39,892	-	-	-	(39,892)	-	(39,892)
Total governmental activities	<u>5,062,140</u>	<u>412,191</u>	<u>329,899</u>	<u>2,140,462</u>	<u>(2,179,588)</u>	<u>-</u>	<u>(2,179,588)</u>
Business-type activities:							
Water	2,669,989	2,334,974	-	783,988	-	448,973	448,973
Sewer	582,603	411,438	-	-	-	(171,165)	(171,165)
Sanitation	1,196,060	1,153,004	-	-	-	(43,056)	(43,056)
Total business-type activities	<u>4,448,652</u>	<u>3,899,416</u>	<u>-</u>	<u>783,988</u>	<u>-</u>	<u>234,752</u>	<u>234,752</u>
Total primary government	<u>\$ 9,510,792</u>	<u>\$ 4,311,607</u>	<u>\$ 329,899</u>	<u>\$ 2,924,450</u>	<u>\$ (2,179,588)</u>	<u>\$ 234,752</u>	<u>\$ (1,944,836)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 4,284,544	\$ -	\$ 4,284,544
Franchise taxes					285,892	-	285,892
Grants and contributions not restricted to specific programs					84,728	-	84,728
Unrestricted investment earnings					24,019	5,154	29,173
Miscellaneous					123,160	604,969	728,129
Transfers					(957,716)	957,716	-
Total general revenues and transfers					<u>3,844,627</u>	<u>1,567,839</u>	<u>5,412,466</u>
Change in net position					1,665,039	1,802,591	3,467,630
Net position - beginning					15,847,291	8,956,772	24,804,063
Net position - ending					<u>\$ 17,512,330</u>	<u>\$ 10,759,363</u>	<u>\$ 28,271,693</u>

See accompanying notes to the financial statements.

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Governmental Funds Balance Sheet – June 30, 2023

	<u>General Fund</u>	<u>Capital Improvement</u>	<u>Fire Dept Restricted Sales Tax Fund</u>	<u>Street and Alley</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 4,184,663	\$ 416,406	\$ 297,994	\$ 504,734	\$ 2,550	\$ 5,406,347
Due from other funds	221,771	-	201,000	20,652	-	443,423
Court fines receivable	145,145	-	-	-	-	145,145
Due from other governments	694,749	73,020	73,020	14,282	-	855,071
Notes receivable	-	-	-	-	-	-
Lease receivable	-	-	-	654,092	-	654,092
Total assets	<u>5,246,328</u>	<u>489,426</u>	<u>572,014</u>	<u>1,193,760</u>	<u>2,550</u>	<u>7,504,078</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	45,077	1,499,920	11,675	64,224	17,175	1,638,071
Due to other funds	216,905	-	27,425	181,295	-	425,625
Deposits held for others	5,630	-	-	-	-	5,630
Unearned revenue	1,500,557	-	-	-	-	1,500,557
Other payables	802	-	-	-	-	802
Total liabilities	<u>1,768,971</u>	<u>1,499,920</u>	<u>39,100</u>	<u>245,519</u>	<u>17,175</u>	<u>3,570,685</u>
Deferred Inflows of resources:						
Deferred inflow - leases	-	-	-	645,321	-	645,321
Unavailable revenue	144,539	-	-	-	-	144,539
Total Deferred Inflows	<u>144,539</u>	<u>-</u>	<u>-</u>	<u>645,321</u>	<u>-</u>	<u>789,860</u>
Fund balances:						
Restricted for:						
Police	1,000	-	-	-	-	1,000
Municipal Court	210,248	-	-	-	-	210,248
Assigned to:						
Streets	-	-	-	302,920	-	302,920
Fire	-	-	532,914	-	-	532,914
Municipal Court	42,648	-	-	-	-	42,648
Balance Future Years Budget	3,078,922	-	-	-	-	3,078,922
Unassigned (deficit)	-	(1,010,494)	-	-	(14,625)	(1,025,119)
Total fund balances	<u>3,332,818</u>	<u>(1,010,494)</u>	<u>532,914</u>	<u>302,920</u>	<u>(14,625)</u>	<u>3,143,533</u>
Total liabilities, deferred outflows and fund balances	<u>\$ 5,246,328</u>	<u>\$ 489,426</u>	<u>\$ 572,014</u>	<u>\$ 1,193,760</u>	<u>\$ 2,550</u>	<u>\$ 7,504,078</u>

See accompanying notes to the financial statements

CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2023

	<u>General Fund</u>	<u>Capital Improvement</u>	<u>Fire Dept Restricted Sales Tax Fund</u>	<u>Street and Alley</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 3,434,502	\$ 577,908	\$ 577,908	\$ -	\$ -	\$ 4,590,318
Fines and forfeitures	201,720	-	-	-	-	201,720
Licenses and permits	189,209	-	-	-	-	189,209
Intergovernmental	204,105	-	108,123	71,668	-	383,896
Charges for services	32,345	-	-	-	-	32,345
Investment earnings	7,960	1,635	1,899	12,489	36	24,019
Miscellaneous	51,244	-	11,228	65,778	-	128,250
Total revenues	<u>4,121,085</u>	<u>579,543</u>	<u>699,158</u>	<u>149,935</u>	<u>36</u>	<u>5,549,757</u>
EXPENDITURES						
Current:						
General government	610,369	-	-	-	218,019	828,388
Administrative	317,751	-	-	-	-	317,751
Police	928,269	-	-	-	-	928,269
Municipal court	140,267	-	-	-	-	140,267
Emergency management	11,384	-	-	-	-	11,384
Community development	221,260	-	-	-	74,959	296,219
Fire	-	18,926	823,580	-	-	842,506
Library	156,798	-	-	-	-	156,798
Streets	-	-	-	404,509	-	404,509
Parks	13,466	-	-	-	-	13,466
Debt Service:						
Principal	7,540	-	102,125	-	-	109,665
Interest and other charges	120	-	14,611	-	-	14,731
Capital Outlay	46,482	3,448,884	75,728	83,451	-	3,654,545
Total Expenditures	<u>2,453,706</u>	<u>3,467,810</u>	<u>1,016,044</u>	<u>487,960</u>	<u>292,978</u>	<u>7,718,498</u>
Excess (deficiency) of revenues over expenditures	<u>1,667,379</u>	<u>(2,888,267)</u>	<u>(316,886)</u>	<u>(338,025)</u>	<u>(292,942)</u>	<u>(2,168,741)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,724,875	2,104,958	314,673	303,824	183,205	4,631,535
Transfers out	(5,039,080)	(594,217)	-	-	-	(5,633,297)
Total other financing sources and uses	<u>(3,314,205)</u>	<u>1,510,741</u>	<u>314,673</u>	<u>303,824</u>	<u>183,205</u>	<u>(1,001,762)</u>
Net change in fund balances	(1,646,826)	(1,377,526)	(2,213)	(34,201)	(109,737)	(3,170,503)
Fund balances - beginning	4,979,644	367,032	535,127	337,121	95,112	6,314,036
Fund balances - ending	<u>\$ 3,332,818</u>	<u>\$ (1,010,494)</u>	<u>\$ 532,914</u>	<u>\$ 302,920</u>	<u>\$ (1,010,625)</u>	<u>\$ 3,143,533</u>

See accompanying notes to the financial statements

CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Reconciliation of Governmental Fund and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	3,143,533
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$5,539,950		
		15,673,104
Certain long-term assets are not available to pay for current fund liabilities and therefore they, along with deferred outflows, are either deferred or not reported in the funds:		
Net pension asset		86,517
Pension related deferred outflows		743,048
Unavailable revenue		136,471
Certain long-term liabilities are not due and payable from current financial resources and therefore they, along with deferred inflows, are not reported in the funds:		
Net pension liability		(1,324,848)
Pension related deferred inflows		(79,982)
Lease obligations		(442,418)
Notes payable		(262,347)
Accrued compensated absences		(160,748)
		17,512,330
Net Position of Governmental Activities in the Statement of Net Position	\$	17,512,330

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	(3,170,503)
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		3,578,893
Amortization of leased intangible asset		(10,035)
Capital assets transferred from business-type activities		44,046
Assets dedicated to City		2,140,462
Depreciation expense		(986,689)
In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.		
		(5,018)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Changes in unavailable revenue		(10,723)
Some long-term debt and other long-term liability activities reported in the Statement of Activities does not require the use of current financial resources and therefore is not reported as such governmental funds:		
Principal paid on lease liability		7,540
Principal paid on debt		93,203
Change in accrued compensated absences		(16,137)
		1,665,039
Change in net position of governmental activities	\$	1,665,039

See accompanying notes to the financial statements

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND

CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Fund Statement of Net Position – June 30, 2023

	Piedmont Municipal Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,372,327
Restricted cash and cash equivalents	37,885
Accounts receivable, net	441,154
Due from other funds	8,436
Total current assets	1,859,802
Non-current assets:	
Restricted cash and cash equivalents	279,792
Capital assets:	
Land and improvements	1,125,302
Other capital assets, net of depreciation	10,215,831
Total non-current assets	11,620,925
Total assets	13,480,727
 DEFERRED OUTFLOW OF RESOURCES	
Deferred amounts related to pension	137,250
 LIABILITIES	
Current liabilities:	
Accounts payable	471,878
Accrued interest payable	4,661
Due to other funds	26,234
Due to depositors	279,792
Compensated absences	5,258
Notes payable	436,544
Total current liabilities	1,224,367
Non-current liabilities:	
Compensated absences	47,328
Net pension liability	7,598
Notes payable	1,544,240
Total non-current liabilities	1,599,166
Total liabilities	2,823,533
 DEFERRED INFLOW OF RESOURCES	
Deferred amounts related to pension	35,081
 NET POSITION	
Net investment in capital assets	9,335,796
Restricted for debt service	37,885
Unrestricted	1,385,682
Total net position	\$ 10,759,363

See accompanying notes to the financial statements

CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2023

	Piedmont Municipal Authority
REVENUES	
Charges for services:	
Water charges	\$ 2,249,889
Sewer charges	396,445
Sanitation charges	1,110,989
Penalties	56,603
Miscellaneous	85,490
Total operating revenues	3,899,416
OPERATING EXPENSES	
Administrative	936,768
Public works	3,126,753
Depreciation	361,361
Total operating expenses	4,424,882
Operating income (loss)	(525,466)
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	5,154
Miscellaneous revenue	604,969
Interest expense	(55,613)
Total non-operating revenue (expenses)	554,510
Income before transfers and contributions	29,044
Capital contributions	803,247
Transfers in	3,699,833
Transfers out	(2,729,533)
Change in net position	1,802,591
Total net position - beginning	8,956,772
Total net position - ending	\$ 10,759,363

See accompanying notes to the financial statements

CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Fund Statement of Cash Flows – Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 4,017,950
Payments to suppliers	(2,792,417)
Payments to employees	(1,053,662)
Receipt of customer deposits	27,561
Customer meter deposits refunded or applied	(18,677)
Receipts (payments) from other funds	26,234
Net Cash Provided by Operating Activities	<u>206,989</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	3,699,833
Transfers to other funds	(2,729,533)
Miscellaneous revenues	604,969
Net Cash Provided by Noncapital Financing Activities	<u>1,575,269</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(259,716)
Principal paid on capital debt	(572,082)
CIP Transferred to Governmental Activities	12,203
Interest and fiscal charges paid on capital debt	(56,166)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(875,761)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	5,154
Net Cash Provided by Investing Activities	<u>5,154</u>
Net Increase in Cash and Cash Equivalents	911,651
Balances - beginning of the year	<u>778,353</u>
Balances - end of the year	<u>\$ 1,690,004</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 1,372,327
Current restricted cash and cash equivalents	37,885
Non-current restricted cash and cash equivalents	279,792
Total cash and cash equivalents	<u>\$ 1,690,004</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (525,466)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	361,361
Change in assets and liabilities:	
Receivables	118,534
Due to other funds	26,234
Accounts payable and accrued liabilities	227,488
Net pension liability	(22,131)
Meter deposit liability	8,884
Accrued compensated absences	12,085
Net Cash Provided by Operating Activities	<u>\$ 206,989</u>

See accompanying notes to the financial statements

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Piedmont) and blended component units as noted below. This annual report includes all activities for which the City of Piedmont City Council is fiscally responsible.

The City of Piedmont – that operates the public safety, health and welfare, streets and highways, parks and recreation and administrative activities.

The City of Piedmont has a population of 5,720 located in central Oklahoma in Canadian County. The City is a Council/Manager form of government and operates under a charter that provides for three branches of government.

- Legislative – the City Council is a six-member governing body with the mayor elected by the citizens at large and five council members elected by each ward.
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council.
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council.

The City provides typical municipal services such as a public safety, health and welfare, street and alley maintenance, parks and recreation.

Component Units:

Piedmont Municipal Authority (PMA) – public trust created under 60 O.S. 162 with City as beneficiary that operates the water, sewer and sanitation services of the City. The component unit (Authority) has the City Council as their governing body (trustees) and the City is able to impose its will on the Authority through required approval of all debt obligations issued by these entities. The Authority is reported as a blended component unit.

Piedmont Special Projects Authority - Created January 28, 2008, to furnish and supply services and facilities for industrial, economic development, cultural, educational and recreational purposes within its territorial boundaries. The Trustees are the governing body of the City of Piedmont. The PSPA is currently being used to remit payment of sales tax to a local grocery store. The Authority is reported as a blended component unit.

Piedmont Economic Authority - Created August 25, 1998, to provide industrial, cultural and educational facilities within its territorial boundaries. The Trustees are confirmed by the governing body. Any issuances of debt would require a two-thirds approval of the City Council. The PEA is currently inactive.

Piedmont Library Authority - Created September 19, 2001, to provide services and facilities for cultural, educational, and recreational purposes. The Trustees are appointed by the City Council. Any issuances of debt would require a two thirds approval of the City Council. The PLA is currently inactive.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net position and activities are reported on the accrual basis of accounting and economic resource focus. Under the economic resource focus, all assets and liabilities, including current and non-current, along with deferred inflows and deferred outflows, are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

- General Government: Inspection fees, licenses and permit revenue, operating and capital grants
- Public Safety: Fine revenue, donation revenue, on-behalf pension payments and operating and capital grants
- Highways and Streets: Commercial vehicle and gasoline excise tax shared by the State, operating and capital grants
- Culture and Recreation: Library fines, and library donations, operating grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

The City's governmental funds include:

Major Funds:

General Fund – accounts for all activities not accounted for in other special-purpose funds

Special Revenue Fund:

- Street and Alley Fund– accounts for revenues from gasoline and vehicle taxes restricted for street repairs and maintenance
- Fire Restricted Sales Tax Fund – accounts for revenues from the voter restricted sales tax for the fire department

Capital Project Fund:

- Capital Improvement Fund - accounts for construction and acquisition of capital facilities

Nonmajor Funds:

Special Revenue Funds:

- USDA Revolving Loan Fund – accounts for USDA grant revolving funds and the loans receivable from those funds. The City returned the unused funds in the current year.
- Piedmont Special Project Authority – accounts for sales tax abated to a local grocery store. per contract agreement

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

The governmental funds are reported on a modified accrual basis of accounting and current financial resources measurement focus. Revenues are recorded on the modified accrual basis when earned and collected within 60 days of period end.

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

Proprietary Funds:

The City's proprietary fund includes:

Major Enterprise Fund:

- Piedmont Municipal Authority – accounts for the operation of the water, wastewater, and sanitation activities.

The proprietary fund is reported on the accrual basis of accounting and economic resources measurement focus.

For purposes of the statement of revenues, expenses and changes in net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

Pensions:

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Firefighters Pension & Retirement System (FPRS), Oklahoma Police Pension & Retirement System (OPPRS), and the Oklahoma Municipal Retirement System (OkMRF) and additions to/deductions from FPRS's, OPPRS's, and OkMRF's fiduciary net position have been determined on the same basis as they are reported by FPRS, OPPRS, and OkMRF. 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.

3. Cash, Cash Equivalents, and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

At June 30, 2023, the reporting entity held the following deposits and investments:

Type	Credit Rating	Carrying Value
Deposits:		
Demand deposits		\$ 7,058,466
Total deposits		<u>\$ 7,058,466</u>
Investments:		
Trustee money market accounts	AAAm	\$ 37,885
Total deposits and investments		<u>\$ 7,096,351</u>
Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 6,562,796
Restricted cash and cash equivalents		253,763
Noncurrent- Restricted cash and cash equivalents		279,792
		<u>\$ 7,096,351</u>

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

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. At June 30, 2023, the City was not exposed to custodial credit as defined above.

Investment 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. The City was not exposed to investment interest rate risk.

Investment Credit Risk – the city has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. 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.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. 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.
- e. 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.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., d. and e. The City was not exposed to investment credit rate risk.

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Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

The City was not exposed to concentration of credit risk as defined above.

Restricted Cash and Investments - The amounts reported as restricted assets of the statement of net position are comprised of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill) and amounts held by the trustee bank for debt retirement. Restricted assets for governmental activities are comprised of municipal court funds, Capital Improvement Fund cash, Fire Department Fund cash, USDA Revolving Loan cash and Street and Alley Fund cash. The restricted assets as of June 30, 2023 are as follows:

	<u>Current Cash and Cash Equivalents</u>		<u>Current Cash and Cash Equivalents</u>	<u>Noncurrent Cash and Cash Equivalents</u>
Governmental Activities:		Business-Type Activities and Proprietary Funds:		
Infrastructure Enhancement	\$ -	Utility deposits	\$ -	\$ 279,792
Municipal Court	<u>215,878</u>	Trustee Accounts:		
Total Governmental Activities	<u>\$ 215,878</u>	Debt Service Account	<u>37,885</u>	<u>-</u>
		Total	<u>\$ 37,885</u>	<u>\$ 279,792</u>

4. Receivables and Related Deferred Inflows

In the government-wide statements, receivables consist of all revenues earned at period-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and notes receivable. Business-type activities report utilities as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, tax increment revenue, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at period-end and not yet received. Utility accounts receivable (such as water, wastewater, and sanitation revenues) comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectable amounts. The governmental activities receivables include fines receivables, due from other governments and two USDA revolving note receivables.

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The City is a party as lessor for various non-cancellable long-term leases of cell towers. The corresponding lease receivables, are recorded in an amount equal to the present value of the expected future minimum lease payments received, respectively, discounted by an applicable interest rate. The total amount of inflows of resources, including lease revenue and interest revenue recognized during the fiscal year was \$27,612. The deferred inflow of resources is recognized in a systematic and rational manner over the term of the lease.

	Receivables	Less: Allowance for Uncollectible Accounts	Net Receivables
Governmental Activities:			
Due from other governments	\$ 855,071	\$ -	\$ 855,071
Court fines	344,422	(199,277)	145,145
Lease receivable	654,092	-	654,092
Total Governmental Activities	\$ 1,853,585	\$ (199,277)	\$ 1,654,308
Business-Type Activities:			
Utilities	\$ 612,174	\$ (171,020)	\$ 441,154

5. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

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For the year ended June 30, 2023, capital assets balances changed as follows:

	Balance at July 1, 2022	Additions	Disposals	Balance at June 30, 2023
Governmental activities:				
Non-depreciable:				
Land	\$ 58,273	\$ -	\$ -	\$ 58,273
Construction-in-progress	1,576,741	2,442,848	(1,342,123)	2,677,466
Total non-depreciable assets at historical cost	<u>1,635,014</u>	<u>2,442,848</u>	<u>(1,342,123)</u>	<u>2,735,739</u>
Depreciable:				
Buildings	3,422,964	-	-	3,422,964
Improvements	611,260	-	-	611,260
Machinery and equipment	4,173,246	147,575	(77,886)	4,242,935
Infrastructure	7,663,932	4,515,101	-	12,179,033
Total depreciable assets at historical cost	<u>15,871,402</u>	<u>4,662,676</u>	<u>(77,886)</u>	<u>20,456,192</u>
Less accumulated depreciation				
Buildings	(1,288,493)	(94,614)	-	(1,383,107)
Improvements	(153,894)	(50,022)	-	(203,916)
Machinery and equipment	(2,720,886)	(321,012)	77,886	(2,964,012)
Infrastructure	(2,460,046)	(521,042)	-	(2,981,088)
Total accumulated depreciation	<u>(6,623,319)</u>	<u>(986,690)</u>	<u>77,886</u>	<u>(7,532,123)</u>
Other assets:				
Intangible equipment	30,904	-	-	30,904
Less accumulated amortization	(7,574)	(10,034)	-	(17,608)
Total other assets	<u>23,330</u>	<u>(10,034)</u>	<u>-</u>	<u>13,296</u>
Net depreciable assets	<u>9,271,413</u>	<u>3,665,952</u>	<u>-</u>	<u>12,937,365</u>
Governmental activities capital assets, net	<u>10,906,427</u>	<u>6,108,800</u>	<u>(1,342,123)</u>	<u>15,673,104</u>
Business-type activities				
Non-depreciable:				
Land	790,545	-	-	790,545
Construction-in-progress	225,826	87,708	(12,203)	301,331
Water Rights	33,426	-	-	33,426
Total non-depreciable assets at historical cost	<u>1,049,797</u>	<u>87,708</u>	<u>(12,203)</u>	<u>1,125,302</u>
Depreciable:				
Buildings	50,440	19,260	-	69,700
Machinery and equipment	682,705	153,203	-	835,908
Infrastructure	13,875,833	802,793	-	14,678,625
Totals depreciable assets at historical cost	<u>14,608,977</u>	<u>975,255</u>	<u>-</u>	<u>15,584,232</u>
Less accumulated depreciation				
Buildings	(50,440)	(642)	-	(51,082)
Machinery and equipment	(538,509)	(56,850)	-	(595,359)
Infrastructure	(4,418,091)	(303,869)	-	(4,721,960)
Total accumulated depreciation	<u>(5,007,040)</u>	<u>(361,361)</u>	<u>-</u>	<u>(5,368,401)</u>
Net depreciable assets	<u>9,601,937</u>	<u>613,894</u>	<u>-</u>	<u>10,215,831</u>
Business-type capital assets, net	<u>\$ 10,651,734</u>	<u>\$ 701,602</u>	<u>\$ (12,203)</u>	<u>\$ 11,341,133</u>

Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows: Buildings 50 years, Improvements other than buildings 20-30 years, Machinery, furniture and equipment 3-24 years, Utility property and improvements and infrastructure 15-50 years.

Leased assets (intangible capital assets) are amortized over the life of the associated contract.

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

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Governmental Activities:		Business-Type Activities:	
General government	\$ 34,489	Water	\$ 241,640
Public safety	314,455	Sewer	<u>119,721</u>
Highways and streets	571,171	Total depreciation	<u>\$ 361,361</u>
Culture and recreation	<u>66,575</u>		
Total depreciation	<u>\$ 986,690</u>		

6. Long-Term Obligations

For the year ended June 30, 2023, the reporting entity's long-term debt changed as follows:

<u>Type of Obligation</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Notes Payable (direct borrowing)	\$ 782,114		\$ 93,203	\$ 688,911	\$ 89,328
Lease Liability	23,394	-	7,540	15,854	7,585
Accrued Compensated Absences	<u>144,611</u>	<u>32,274</u>	<u>16,137</u>	<u>160,748</u>	<u>16,075</u>
Total Governmental Long-Term obligations	<u>\$ 950,119</u>	<u>\$ 32,274</u>	<u>\$ 116,880</u>	<u>\$ 865,513</u>	<u>\$ 112,988</u>
Business-Type Activities:					
Notes Payable (direct borrowing)	\$ 2,552,866	\$ -	\$ 572,082	\$ 1,980,784	\$ 436,544
Accrued Compensated Absences	<u>40,502</u>	<u>13,652</u>	<u>1,568</u>	<u>52,586</u>	<u>5,258</u>
Total BTA Long-term obligations	<u>\$ 2,593,368</u>	<u>\$ 13,652</u>	<u>\$ 573,650</u>	<u>\$ 2,033,370</u>	<u>\$ 441,802</u>

Governmental activities long-term lease obligation - The City as a lessee, has entered into a lease agreement involving a copier.

The future minimum lease payments for the City are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities Lease Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
	2024	7,585
2025	7,631	29
2026	<u>638</u>	-
Totals	<u>\$ 15,854</u>	<u>\$ 103</u>

Governmental activities long-term debt - long-term debt payable from direct borrowings and direct placements include the following:

Notes Payable:

\$210,000 note payable with Farmers and Merchant Bank for the purchase of a Pierce Enforcer Fire Truck, issued May 2021 with an interest rate of 3.25% and maturing May 2031. \$ 166,434

\$325,000 note payable with Farmers and Merchant Bank for the purchase of a Pierce Enforcer Fire Truck, issued May 2021 with an interest rate of 3.25% and maturing May 2031. 260,130

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Sewer project note payable, original issue amount of \$900,000 dated September 2010 with F&M Bank. This note was renewed in December 2018 with F&M Bank to include the fire department extension and a sewer upgrade and is now in the amount of \$1,136,000. At June 30, 2020 there was still \$23,854 left to draw. With this renewal the loan is now 60% public works and 40% governmental (fire). It was issued by the Piedmont Municipal Authority, interest rate 5%, with a final maturity to be December 2029. The note is collateralized by the city hall building located at 314 Edmond Rd NW Piedmont, OK 73078. In the event of default, the lender may accelerate the payment of principal and interest accrued on the note.

262,347

Total Notes Payable

\$ 688,911

Current portion

\$ 89,328

Non-current portion

599,583

Total

\$ 688,911

Business-type activities long-term debt - long-term debt payable from direct borrowings and direct placements include the following:

Notes Payable:

OWRB Drinking Water SRF note payable, original issue amount of \$4,670,000 dated September 1, 2007, issued by the Piedmont Municipal Authority, interest rate 3.55%, with a final maturity of March 2029. The OWRB loan is collateralized by the pledge of revenues. In the event default, the lender may: 1) file suit to require any or all of the borrower covenants be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint the temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement.

\$ 868,741

OWRB Clean Water SRF note payable, original issue amount of \$2,655,000 dated December 1, 2009, issued by the Piedmont Municipal Authority, interest rate 2.68%, with a final maturity to be determined when entire balance of note is drawn. Amount left to draw is \$99,230. The OWRB loan is collateralized by the pledge of revenues. In the event default, the lender may: 1) file suit to require any or all of the borrower covenants be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint the temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement. OWRB did a refinancing of their bonds and passed the saving along to the lenders who had loans with them. Piedmont elected to do a one time saving of \$8,397 which reduced the principal due on the loan by this amount.

703,574

Sewer project note payable, original issue amount of \$900,000 dated September 2010 with F&M Bank. This note was renewed in December 2018 with F&M Bank to include the fire department extension and a sewer upgrade and is now in the amount of \$1,136,000. At June 30, 2020 there was still \$23,854 left to draw. With this renewal the loan is now 60% public works and 40% governmental (fire). It was issued by the Piedmont Municipal Authority, interest rate 5%, with a final maturity to be December 2029. The note is collateralized by the city hall building located at 314 Edmond Rd NW Piedmont, OK 73078. In the event of default, the lender may accelerate the payment of principal and interest accrued on the note.

408,469

Total Notes Payable

\$ 1,980,784

Current portion

\$ 436,544

Non-current portion

1,544,240

Total

\$ 1,980,784

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Long-term debt service requirements to maturity:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Notes Payable</u>	
	(direct borrowings and direct placements)	
	<u>Principal</u>	<u>Interest</u>
2024	89,328	27,408
2025	93,002	23,733
2026	96,837	19,899
2027	100,836	15,901
2028	105,009	11,728
2029-2031	219,419	11,499
Totals	\$ 704,431	\$ 110,168
Left to draw	(15,520)	
	\$ 688,911	

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Notes Payable</u>	
	(direct borrowings and direct placements)	
	<u>Principal</u>	<u>Interest</u>
2024	436,544	36,008
2025	443,279	30,984
2026	443,101	25,790
2027	162,857	20,376
2028	168,952	14,752
2029-2031	334,385	12,700
Totals	\$ 1,989,118	\$ 140,610
Left to draw	(8,334)	
	\$ 1,980,784	

Pledge of Future Revenues:

Sales Tax and Utility Net Revenues Pledge – The City has pledged future sales tax and net water and sewer revenues to repay \$4,670,000 of the OWRB 2007 Series Drinking Water SRF Promissory Note and \$2,655,000 of the 2009 Series Clean Water SRF Promissory Note. Proceeds from the notes provided financing for utility system capital assets. The notes are payable from pledged sales tax revenues and net utility revenues and are payable through 2031. The total principal and interest payable for the remainder of the life of these notes is \$1,636,574. Pledged sales taxes received in the current year were \$2,299,834 and net utility revenues were (\$1,355,430). Debt service payments of \$400,022 for the current fiscal year were 42% of both pledged sales taxes and net utility revenues of \$944,404.

Subscription Based IT (SBITA) Obligations :

The City has entered into a software agreement to process permits, registrations, and various other city fees. Payments are based on the variable usage of the software for the year ended the City has spent \$1,521 for this agreement.

7. Net Position and Fund Balances

Net position is displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation. The City had \$249,133 of restricted net position for capital projects, debt service, economic development, USDA revolving loan, police and municipal court.
- c. *Unrestricted net position* - All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance, while the PSPA highest level is by resolution.
- d. *Assigned* – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

8. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statements of activities and net position to avoid the grossing up of 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:

Internal transfers between funds and activities for the year ended June 30, 2023 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
PMA	General Fund	\$ 1,724,875	Transfer unused pledged sales tax
PMA	Street and Alley	303,824	Transfer of road maintenance fee
PMA	Capital Improvement Fund	574,958	Transfer unused pledged sales tax
PMA	Fire	54,000	Debt payment for fire dept extension
General Fund	PSPA	183,205	Sales tax transfer
General Fund	CIF	1,530,000	Operating transfer
General Fund	PMA	1,724,875	Pledged sales tax transfer
General Fund	PMA	1,400,000	Operating transfer
General Fund	Fire	201,000	Operating transfer
Capital Improvement Fund	PMA	574,958	Pledged sales tax transfer
PMA	Fire	59,673	Transfer of fire fee
		<u>\$ 8,331,368</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 4,631,535	\$ (5,633,297)	\$ (1,001,762)
Enterprise Funds	3,699,833	(2,729,533)	970,300
Total	<u>8,331,368</u>	<u>(8,362,830)</u>	<u>(31,462)</u>

Reconciliation to Statement of Activities:

Governmental Funds net transfers	\$ (1,001,762)
Transfer of capital assets from proprietary fund to governmental fund	12,584
One-sided transfer of capital assets from governmental fund to proprietary fund	31,462
Total transfer	<u>\$ (957,716)</u>

Balances:

Interfund receivable and payables at June 30, 2023 were as follows:

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<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Street and Alley Fund	General Fund	\$ 181,295	Reimbursement for expense
Fire	General Fund	14,242	Reimbursement for expense
General Fund	Fire	201,000	Reimbursement for expense
General Fund	Street and Alley Fund	4,747	Reimbursement for expense
General Fund	Street and Alley Fund	15,905	FEMA grant
Fire	PMA	8,436	Operating subsidy
PMA	General Fund	26,234	
		<u>\$ 451,859</u>	

Reconciliation to fund financial statements and Statement of Net Position:

	<u>Due From</u>	<u>Due To</u>	<u>Net Balances</u>
Governmental Funds	443,423	(425,625)	\$ 17,798
Enterprise Funds	8,436	(26,234)	(17,798)
Total	<u>\$ 451,859</u>	<u>\$ (451,859)</u>	<u>\$ -</u>

9. Sales Tax Revenues and Abatements

Sales Tax

The City levies a five cent sales tax on taxable sales within the city limits in accordance with Ordinance No. 297. The City records three cents in the General Fund for general municipal operations; one cent in the Capital Improvement fund for capital costs and one cent to the Fire Department Restricted Sales Tax Fund for fire operating and capital expenses.

Tax Abatements

The City enters into sales tax rebate agreements with local businesses as allowed in the Oklahoma State Constitution, Article 10, Section 14. Under this law, the City may establish economic development programs and provide sales tax increments for development as part of its economic development plan.

The sales tax rebate program allows a retail store business or developer to receive rebated sales tax in an amount equal to 50% of the incremental increase over a baseline sales tax amount determined at the beginning of the project and adjusted up (but not down) each year during the term of the agreement by the annual change in the Consumer Price Index for All Urban Customers. To be eligible for this program, the project area should be occupied by occupants operating a retail store of a requisite quality which are either existing businesses or new businesses. The sales tax rebate period varies with each agreement.

Due to confidentiality laws in Oklahoma statutes Title 68, Section 1354.11, the amounts of sales taxes abated are disclosed. The following businesses had rebate agreements with the City as of June 30, 2023:

A retailer received rebated sales tax in 2023. The rebate cannot exceed \$0.03 (three cents) of each \$1.00 (one dollar) of gross sales resulting in the collected and remitted sales tax from the retailer to the Oklahoma Tax Commission. This is rebated monthly to the business. This sales tax rebate was entered into on May 29, 2012 and will terminate on June 30, 2027.

10. Risk Management

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

- General Liability and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool, with a transfer of risk to the pool
- Workers' Compensation – Workers' compensation is covered through purchased commercial insurance with Oklahoma Municipal Assurance Group
- Employee's Group Medical – Covered through participation in commercial insurance with Blue Cross and Blue Shield

Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

11. Commitments and Contingencies

Asset Retirement Obligation

The City has incurred certain asset retirement obligations related to the operation of its wastewater utility system. The estimated liability of the legally required closure costs for the wastewater utility system cannot be reasonably estimated as of June 30, 2023, since the specific legally required costs of retirement have not yet been identified. The City anticipates identifying those specific legally required costs, if any, and obtaining an estimate of those costs in a subsequent fiscal year.

Litigation:

The City is party 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. These statutory provisions do not apply to the City's public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Piedmont participates in various federal or state grant/loan programs from year to year. In 2023, the City's involvement in federal and state award programs was not significant. These grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

12. Pension Plan Participation

The City of Piedmont participates in five pension or retirement plans:

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Defined Benefit Plan (OkMRF-DBP) – an agent multi-employer defined benefit pension plan.
- Oklahoma Municipal Retirement System Master Defined Contribution Plan and Trust (OkMRF-DCP) – an agent multi-employer defined contribution pension plan
- Oklahoma Municipal Retirement System City Manager Retirement Plan and Trust (OkMRF-CMO) – an agent multi-employer defined contribution plan

Summary of Significant Accounting Policies - For purposes of measuring the net pension asset, 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 Oklahoma Firefighters Pension & Retirement System (OFPRS), Oklahoma Police Pension & Retirement System (OPPRS) and Oklahoma Municipal Retirement Fund (OkMRF) and additions to/deductions from OFPRS, OPPRS and OkMRF’s fiduciary net position have been determined on the same basis as they are reported by OFPRS, OPPRS and OkMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by these funds are reported at fair value.

OFPRS:

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

Benefits provided - FPRS provides 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.

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- 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 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 determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent 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 \$63,514. The State of Oklahoma also made on-behalf contributions to OFPRS in the amount of \$115,437 during the fiscal year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$103,469. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the City reported a liability of \$1,320,849 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 0.1010%.

For the year ended June 30, 2023, the City recognized pension expense of \$239,939. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 169,560	\$ 6,668
Changes of assumptions	-	8,421
Net difference between projected and actual earnings on pension plan investments	153,496	-
Changes in proportion	75,881	35,221
City contributions during measurement date	3,140	1,762
City contributions subsequent to the measurement date	63,514	-
Total	<u>\$ 465,591</u>	<u>\$ 52,072</u>

\$63,514 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, 2024. 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	\$	98,503
2025		83,642
2026		25,501
2027		<u>142,359</u>
Total	\$	<u>350,005</u>

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 10.5% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the Pub-2010 Public Safety Table, with adjustments for generational mortality improvement using scale MP-2018 for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2022, valuation were 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	3.62%
Domestic equity	47%	5.66%
International equity	15%	8.34%
Real estate	10%	7.64%
Other assets	8%	5.08%

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

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

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability	\$ 1,702,005	\$ 1,320,849	\$ 1,002,015

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.

OPPRS:

Plan description - The City of Piedmont, as the employer, participates in the Oklahoma Police Pension and Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, 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 - OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50

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years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

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

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$44,678. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$38,936 during the fiscal year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$42,991. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liability/Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the City reported an asset of \$86,517 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension liability 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 0.1079%.

For the year ended June 30, 2023, the City recognized pension expense of 21,954. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,438	\$ 9,424
Changes of assumptions	3,012	-
Net difference between projected and actual earnings on pension plan investments	84,423	-
Changes in proportion	3,643	505
City contributions during measurement date	962	572
City contributions subsequent to the measurement date	44,678	-
Total	<u>\$ 179,156</u>	<u>\$ 10,501</u>

\$44,678 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase/decrease of the net pension liability in the year ended June 30, 2024. 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	\$ 28,491
2025	8,562
2026	(22,282)
2027	103,797
2028	5,409
	<u>\$ 123,977</u>

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% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Cost-of-living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary.
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar

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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.

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.

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:

<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%

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

Discount Rate-The discount rate used to measure the total pension liability was 7.5%. 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 pension 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 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

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	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability (asset)	\$ 250,666	\$ (86,517)	\$ (371,520)

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.

OkMRF Defined Benefit Plan:

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.

Eligibility Factors and Benefit Provisions

<u>Provision</u>	As of 07/01/22 <u>OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	10 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Death benefit with 10 years of service for married employees
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
e. Benefit Determination Methods:	
Normal Retirement	-1.5% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination

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Disability Retirement	-Same as normal retirement
Death Benefit	-50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 10 Years of Service	-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
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.

Employees Covered by Benefit Terms

Active Employees	20
Deferred Vested Former Employees	2
Retirees or Retiree Beneficiaries	<u>3</u>
Total	<u>25</u>

Contribution Requirements - The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 4.21% of covered payroll as of 7-1-21 and 2.57% of covered payroll as of 7-1-22. However the City elected to contribute 5% of covered payroll during fiscal year 2023. For the year ended June 30, 2023, the City recognized \$55,895 of employer contributions to the plan which exceeds the total required contribution amount based on covered payroll of \$1,038,449. Employees contributed 3% of covered payroll during fiscal year 2023.

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	7.25%
c. Projected Salary Increase	Varies between 7.5% and 4.5% based on age
d. Inflation Rate	2.75%
e. Mortality Table	PG-2010, with projected mortality improvement
f. Percent of married employees	100%
g. Spouse age difference	3 years (female spouses younger)

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h. Turnover

Select 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

i. Date of last experience study

September 2012 for fiscal years 2007
thru 2011

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on 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:

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	Target Allocation	Real Return	Weighted Return
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	0%	0.00%	0.00%
TOTAL	<u>100%</u>		<u>4.75%</u>

Changes in Net Pension Liability (Asset) – 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 (asset). The following table reports the components of changes in net pension liability (asset):

	SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances Beginning of Year	\$ 697,603	\$ 837,541	\$ (139,938)
Changes for the Year:			
Service cost	60,605	-	60,605
Interest expense	51,317	-	51,317
Experience losses (gains) (amortized over avg remain svc period of actives & inactives)	28,084	-	28,084
Changes of assumptions	(12,119)	-	(12,119)
Contributions--City	-	55,895	(55,895)
Contributions--members	-	33,537	(33,537)
Net investment income	-	(111,592)	111,592
Benefits paid	(27,244)	(27,244)	-
Plan administrative expenses	-	(1,488)	1,488
Net Changes	<u>100,643</u>	<u>(50,892)</u>	<u>151,535</u>
Balances End of Year	<u>\$ 798,246</u>	<u>\$ 786,649</u>	<u>\$ 11,597</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate- The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

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	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability (Asset)	\$ 117,549	\$ 11,597	\$ (74,973)

The City reported \$23,297 in pension expense for the year ended June 30, 2023. At 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	\$ 57,681	\$ 24,287
Changes of assumptions	4,558	10,145
Net difference between projected and actual earnings on pension plan investments	72,484	-
Changes in proportion and differences between City contributions and proportionate share of contributions	6,573	6,573
City contributions during measurement date	26,816	11,483
City contributions subsequent to the measurement date	67,438	-
Total	\$ 235,550	\$ 52,488

Amortization of Pension Deferrals- \$67,438 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, 2024. Any other amounts reported as deferred outflows of resources (excluding deferred outflows of resources related to contributions made subsequent to the measurement date) and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 27,918
2025	28,308
2026	17,849
2027	40,660
2028	576
Thereafter	313
	\$ 115,624

OkMRF Defined Contribution Plan:

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

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For the year ended June 30, 2023, there were no employer contributions. Employee contributions are based off their election. For the year ended June 30, 2023, contributions to the plan amounted to \$5,641.

OMRF CMO Plan:

Effective July 1, 2001, the City has also provided a defined contribution plan and trust known as the City of Piedmont 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. The 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 year ended June 30, 2023, the employer contribution rate is variable. Contributions to the plan for the year ended June 30, 2023 were \$7,230 on a covered payroll of \$120,493.

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

13. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – General Fund – Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 4,979,644	\$ 4,979,644	\$ 4,979,644	\$ -
Resources (Inflows):				
Taxes	2,927,272	2,927,272	3,434,502	507,230
Intergovernmental	1,505,145	1,505,145	161,114	(1,344,031)
Charges for services	112,500	112,500	32,345	(80,155)
Fines and Forfeitures	311,300	311,300	201,720	(109,580)
Licenses and Permits	180,768	180,768	189,209	8,441
Miscellaneous	21,000	21,000	51,244	30,244
Interest	1,700	1,700	7,960	6,260
Total Resources (Inflows)	<u>5,059,685</u>	<u>5,059,685</u>	<u>4,078,094</u>	<u>(981,591)</u>
Amounts available for appropriation	<u>10,039,329</u>	<u>10,039,329</u>	<u>9,057,738</u>	<u>(981,591)</u>
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Charges to Appropriations (Outflows):				
General Government	602,700	602,700	610,369	(7,669)
Administration	283,000	328,000	325,411	2,589
Community Development	238,900	238,900	222,999	15,901
Police	1,044,700	997,100	893,528	103,572
Municipal Court	167,274	167,274	147,587	19,687
Emergency Management	40,000	40,000	37,490	2,510
Parks and Recreation	15,500	18,100	14,933	3,167
Library	168,338	168,338	158,398	9,940
Transfers out	3,088,142	4,014,999	3,314,205	700,794
Total Charges to Appropriations	<u>5,648,554</u>	<u>6,575,411</u>	<u>5,724,920</u>	<u>850,491</u>
Ending Budgetary Fund Balance	<u>\$ 4,390,775</u>	<u>\$ 3,463,918</u>	<u>\$ 3,332,818</u>	<u>\$ (131,100)</u>

See accompanying notes to budgetary comparison schedules.

**CITY OF PIEDMONT, OKLAHOMA
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Budgetary Comparison Schedule (Budgetary Basis) – Fire Dept Restricted Sales Tax Fund – Year Ended June 30, 2023

	SPECIAL REVENUE - FIRE FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 535,127	\$ 535,127	\$ 535,127	\$ -
Revenues:				
Taxes	510,000	510,000	577,908	67,908
Intergovernmental	3,518	3,518	10,053	6,535
Investment income	75	75	1,899	1,824
Miscellaneous	500	500	11,228	10,728
Transfers in	345,143	345,143	260,673	(84,470)
Total Resources (Inflows)	859,236	859,236	861,761	2,525
Amounts available for appropriation	1,394,363	1,394,363	1,396,888	2,525
Charges to Appropriations (Outflows):				
Fire	859,236	879,236	863,974	15,262
Total Charges to Appropriations	859,236	879,236	863,974	15,262
Ending Budgetary Fund Balance	\$ 535,127	\$ 515,127	\$ 532,914	\$ 17,787

Budgetary Comparison Schedule (Budgetary Basis) – Street and Alley Fund – Year Ended June 30, 2023

	SPECIAL REVENUE - STREET AND ALLEY FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 337,121	\$ 337,121	\$ 337,121	\$ -
Revenues:				
Intergovernmental	76,000	76,000	71,668	(4,332)
Charges for services				-
Investment income	250	250	12,489	12,239
Miscellaneous	50,181	50,181	65,778	15,597
Proceeds from long-term debt				-
Transfers in	334,309	334,309	303,824	(30,485)
Total Resources (Inflows)	460,740	460,740	453,759	(6,981)
Amounts available for appropriation	797,861	797,861	790,880	(6,981)
Charges to Appropriations (Outflows):				
Street	460,740	485,740	441,923	43,817
Total Charges to Appropriations	460,740	485,740	441,923	43,817
Ending Budgetary Fund Balance	\$ 337,121	\$ 312,121	\$ 348,957	\$ 36,836
			Expenditures of unrecorded account payable 46,037	
			Total fund balance reported - governmental funds 302,920	

**CITY OF PIEDMONT, OKLAHOMA
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Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on a modified accrual with the exceptions noted below.

	General Fund
Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$9,057,738
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(4,979,644)
Payments to police pension system made by the State of Oklahoma are revenues for financial reporting purpose but not budgetary purposes	42,991
<i>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	\$4,121,085
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$5,724,920
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. These amounts do not include amount of pledged sales tax transfers of \$1,724,875.	(3,314,205)
Expenditures for unrecorded accounts payable are expenses for financial reporting purposes but not budgetary purposes	
Payments to police pension system made by the State of Oklahoma are expenditures for financial reporting purpose but not budgetary purposes	42,991
<i>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	2,453,706

2. The legal level of appropriation control is the department level within a fund. The City Manager has the authority to make line item transfers but any overall increases or decreases are to be approved by the City Council.
3. The General Government department is over budget in the amount of \$7,669.

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Schedules of Required Supplementary Information

SCHEDULE OF THE CITY OF PIEDMONT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023
City's proportion of the net pension liability	0.055128%	0.059480%	0.065410%	0.123187%	0.086739%	0.095857%	0.097501%	0.099211%	0.101002%
City's proportionate share of the net pension liability	\$ 566,906	\$ 631,338	\$ 799,056	\$ 1,549,337	\$ 976,378	\$ 1,012,880	\$ 1,201,142	\$ 653,370	\$ 1,320,849
City's covered-employee payroll	\$ 145,939	\$ 154,812	\$ 168,174	\$ 210,707	\$ 253,264	\$ 288,714	\$ 306,971	\$ 317,149	\$ 360,179
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	388%	408%	475%	735%	386%	351%	391%	206%	367%
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%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only nine fiscal years are presented because 10-year data is not yet available.

SCHEDULE OF CITY CONTRIBUTIONS

OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorially required contribution	\$ 21,675	\$ 23,544	\$ 29,499	\$ 35,457	\$ 40,420	\$ 42,976	\$ 44,401	\$ 50,425	\$ 63,514
Contributions in relation to the statutorially required contribution	21,675	23,544	29,499	35,457	40,420	42,976	44,401	50,425	63,514
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 154,812	\$ 168,174	\$ 210,707	\$ 253,264	\$ 288,714	\$ 306,971	\$ 317,149	\$ 360,179	\$ 453,671
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%

Notes to Schedule:

Only nine fiscal years are presented because 10-year data is not yet available.

**CITY OF PIEDMONT, OKLAHOMA
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Schedules of Required Supplementary Information
SCHEDULE OF THE CITY OF PIEDMONT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023
City's proportion of the net pension liability (asset)	0.1039%	0.1192%	0.1268%	0.1236%	0.1252%	0.1169%	0.1080%	0.1070%	0.1079%
City's proportionate share of the net pension liability (asset)	\$ (34,988)	\$ 4,859	\$ 194,269	\$ 9,506	\$ (59,618)	\$ (7,462)	\$ 124,075	\$ (515,219)	\$ (86,517)
City's covered-employee payroll	\$ 290,904	\$ 339,663	\$ 361,386	\$ 380,554	\$ 371,846	\$ 380,162	\$ 361,831	\$ 372,985	\$ 386,446
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.03%	1.43%	53.76%	2.56%	15.68%	2.06%	33.27%	-133.32%	-22.39%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%	99.82%	100.24%	95.80%	117.07%	102.74%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only nine fiscal years are presented because 10-year data is not yet available.

SCHEDULE OF CITY CONTRIBUTIONS
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorially required contribution	\$ 44,158	\$ 46,879	\$ 49,472	\$ 48,340	\$ 49,421	\$ 47,038	\$ 48,488	\$ 50,238	\$ 44,678
Contributions in relation to the statutorially required contribution	44,158	46,879	49,472	48,340	49,421	47,038	48,488	50,238	44,678
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 339,663	\$ 361,386	\$ 380,554	\$ 371,846	\$ 380,162	\$ 361,831	\$ 372,985	\$ 386,446	\$ 343,677
Contributions as a percentage of covered-employee payroll	13%	13%	13%	13%	13%	13%	13%	13%	13%

Notes to Schedule:

Only nine fiscal years are presented because 10-year data is not yet available.

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

**Required Supplementary Information
Oklahoma Municipal Retirement Fund**

Schedule of Changes in Net Pension Liability and Related Ratios

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability									
Service cost	\$ 60,661	\$ 65,542	\$ 67,873	\$ 64,187	\$ 60,662	\$ 62,387	\$ 68,126	\$ 77,667	\$ 60,605
Interest	4,811	5,125	10,441	15,931	21,178	27,532	34,209	45,679	51,317
Differences between expected and actual experience	-	-	(4,088)	(7,103)	6,178	(7,006)	56,953	(28,915)	28,084
Changes of assumptions	-	-	-	5,960	-	9,411	-	-	(12,119)
Benefit payments, including refunds of member contributions	(1,469)	(147)	(3,942)	(2,800)	(1,505)	(5,164)	(1,348)	(11,554)	(27,244)
Net change in total pension liability	<u>64,003</u>	<u>70,520</u>	<u>70,284</u>	<u>76,175</u>	<u>86,513</u>	<u>87,160</u>	<u>157,940</u>	<u>82,877</u>	<u>100,643</u>
Total pension liability - beginning	<u>2,131</u>	<u>66,134</u>	<u>136,654</u>	<u>206,938</u>	<u>283,113</u>	<u>369,626</u>	<u>456,786</u>	<u>614,726</u>	<u>697,603</u>
Total pension liability - ending (a)	<u>\$ 66,134</u>	<u>\$ 136,654</u>	<u>\$ 206,938</u>	<u>\$ 283,113</u>	<u>\$ 369,626</u>	<u>\$ 456,786</u>	<u>\$ 614,726</u>	<u>\$ 697,603</u>	<u>\$ 798,246</u>
Plan fiduciary net position									
Contributions - employer	\$ 37,601	\$ 38,763	\$ 41,898	\$ 43,330	\$ 43,976	\$ 48,127	\$ 52,800	\$ 54,942	\$ 55,895
Contributions - member	25,124	25,787	25,253	25,996	26,386	28,876	31,680	32,825	33,537
Net investment income	3,094	2,793	2,896	28,874	22,686	30,608	22,780	173,008	(111,592)
Benefit payments, including refunds of member contributions	(1,469)	-	(3,942)	(2,800)	(1,505)	(5,164)	(1,348)	(11,554)	(27,244)
Administrative expense	(54)	(171)	(299)	(484)	(667)	(854)	(1,073)	(1,270)	(1,488)
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	<u>64,296</u>	<u>67,172</u>	<u>65,806</u>	<u>94,916</u>	<u>90,876</u>	<u>101,593</u>	<u>104,839</u>	<u>247,951</u>	<u>(50,892)</u>
Plan fiduciary net position - beginning	<u>92</u>	<u>64,388</u>	<u>131,560</u>	<u>197,366</u>	<u>292,282</u>	<u>383,158</u>	<u>484,751</u>	<u>589,590</u>	<u>837,541</u>
Plan fiduciary net position - ending (b)	<u>\$ 64,388</u>	<u>\$ 131,560</u>	<u>\$ 197,366</u>	<u>\$ 292,282</u>	<u>\$ 383,158</u>	<u>\$ 484,751</u>	<u>\$ 589,590</u>	<u>\$ 837,541</u>	<u>\$ 786,649</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 1,746</u>	<u>\$ 5,094</u>	<u>\$ 9,572</u>	<u>\$ (9,169)</u>	<u>\$ (13,532)</u>	<u>\$ (27,965)</u>	<u>\$ 25,136</u>	<u>\$ (139,938)</u>	<u>\$ 11,597</u>
Plan fiduciary net position as a percentage of the total pension liability	97.36%	96.27%	95.37%	103.24%	103.66%	106.12%	95.91%	120.06%	98.55%
Covered employee payroll	\$ 794,249	\$ 857,971	\$ 874,862	\$ 866,780	\$ 879,520	\$ 924,895	\$ 1,051,848	\$ 1,102,224	\$ 1,117,897
Net pension liability (asset) as a percentage of covered-employee payroll	0.22%	0.59%	1.09%	1.06%	1.54%	-3.02%	2.39%	-12.70%	1.04%

Notes to Schedule:

Only nine fiscal years are presented because 10-year data is not yet available.

**Required Supplementary Information
Oklahoma Municipal Retirement Fund**

Schedule of Employer Contributions

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 38,643	\$ 40,154	\$ 42,646	\$ 43,272	\$ 36,348	\$ 39,655	\$ 41,554	\$ 52,800	\$ 54,942
Contributions in relation to the actuarially determined contribution	38,643	40,154	43,339	43,976	46,244	52,593	52,918	53,364	67,438
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (693)</u>	<u>\$ (704)</u>	<u>\$ (9,896)</u>	<u>\$ (12,938)</u>	<u>\$ (11,364)</u>	<u>\$ (564)</u>	<u>\$ (12,496)</u>
Covered employee payroll	\$ 857,971	\$ 874,862	\$ 866,780	\$ 879,520	\$ 924,895	\$ 1,051,848	\$ 1,102,224	\$ 1,117,897	1,424,255
Contributions as a percentage of covered-employee payroll	4.50%	4.59%	5.00%	5.00%	5.00%	5.00%	4.80%	4.77%	4.73%

Notes to Schedule:

- Only nine fiscal years are presented because 10-year data is not yet available.
- Latest Valuation Date: July 1, 2022
- Actuarially determined contribution rate is calculated as of July 1, 2022
July 2022 through June 2023 actual contributions were at a rate of 5.57%.
- Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 30 years
 - Asset valuation method - Actuarial
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 30%
 - Salary increases - 4.50% to 7.50% (varies by attained age)
 - Investment rate of return - 7.25%

**CITY OF PIEDMONT, OKLAHOMA
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As of and for the Year Ended June 30, 2023**

SUPPLEMENTARY INFORMATION

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

Combining Balance Sheet – Nonmajor Governmental Funds – City of Piedmont – June 30, 2023

	<u>Piedmont Special Projects Authority</u>	<u>USDA Revolving Loan</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,550	\$ -	\$ 2,550
Total assets	<u>2,550</u>	<u>-</u>	<u>2,550</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	17,175	-	17,175
Total liabilities	<u>17,175</u>	<u>-</u>	<u>17,175</u>
Fund balances:			
Unassigned (deficit)	(14,625)	-	(14,625)
Total fund balances	<u>(14,625)</u>	<u>-</u>	<u>(14,625)</u>
Total fund balances	<u>\$ 2,550</u>	<u>\$ -</u>	<u>\$ 2,550</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds - City of Piedmont - Year Ended June 30, 2023

	<u>Piedmont Special Projects Authority</u>	<u>USDA Revolving Loan</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Investment earnings	\$ 36	\$ -	\$ 36
Total revenues	<u>36</u>	<u>-</u>	<u>36</u>
EXPENDITURES			
Current:			
General government	218,019	-	218,019
Community development	-	74,959	74,959
Total Expenditures	<u>218,019</u>	<u>74,959</u>	<u>292,978</u>
Excess (deficiency) of revenues over expenditures	<u>(217,983)</u>	<u>(74,959)</u>	<u>(292,942)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	183,205	-	183,205
Total other financing sources and uses	<u>183,205</u>	<u>-</u>	<u>183,205</u>
Net change in fund balances	(34,778)	(74,959)	(109,737)
Fund balances - beginning	20,153	74,959	95,112
Fund balances - ending	<u>\$ (14,625)</u>	<u>\$ -</u>	<u>\$ (14,625)</u>

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2023

Federal/State Grantor/Pass Through Agency Grantor/Program Title	AL or Award Number	Awards Expended
FEDERAL AWARDS:		
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES:		
Passed through Oklahoma Department of Libraries:		
Grants to States	43.310	\$ 9,750
TOTAL FEDERAL AWARDS		\$ 9,750
STATE AWARDS:		
Department of Emergency Management:		
Department of Agriculture:		
Rural Fire Grant	N/A	\$ 10,053
Oklahoma Department of Emergency Management:		
Disaster relief	N/A	73,422
Oklahoma Department of Libraries:		
State Aid 23	N/A	4,974
Let's Talk About It	N/A	1,234
Total Department of Libraries		6,208
TOTAL STATE AWARDS		\$ 89,683

Footnotes to Schedule of Expenditures of Federal and State Awards:

1. This Schedule is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

CITY OF PIEDMONT, OKLAHOMA
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Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2023

GROSS REVENUE AVAILABLE:	
Pledged operating revenues (water and sewer systems)	\$ 2,702,937
Investment income	5,154
Sales tax pledged from the City General Fund	<u>2,299,834</u>
Total Gross Revenue Available	<u>5,007,925</u>
OPERATING EXPENDITURES:	
Total Operating Expenses (water and sewer systems, excluding depreciation)	<u>4,063,521</u>
Net Revenue Available for Debt Service	<u>\$ 944,404</u>
Annual Debt Service:	
2007 OWRB DWSRF Loan Payable maximum annual debt service	295,679
2009 OWRB CWSRF Loan Payable maximum annual debt service	<u>104,343</u>
Total Annual Debt Service on Revenues of the Systems	<u>\$400,022</u>
Computed Coverage	<u>236%</u>
Coverage Requirement	<u>125%</u>

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

INTERNAL CONTROL AND COMPLIANCE INFORMATION



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

To the City Council
City of Piedmont, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piedmont, Oklahoma, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise City of Piedmont, Oklahoma's basic financial statements, and have issued our report thereon dated January 15, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

HBC CPAs & Advisors

Oklahoma City, Oklahoma
January 15, 2024