

**CITY OF TONKAWA, OKLAHOMA  
TONKAWA, OKLAHOMA**

**FINANCIAL STATEMENTS AND  
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED  
JUNE 30, 2023**

**CITY OF TONKAWA, OKLAHOMA**  
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**Year Ended June 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Tonkawa, Oklahoma

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tonkawa, 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 Tonkawa, 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 Tonkawa, 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 Tonkawa, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tonkawa, 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 Tonkawa, 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 Tonkawa, Oklahoma's ability to continue as a going concern for a reasonable period of time.

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

#### ***Required Supplementary Information***

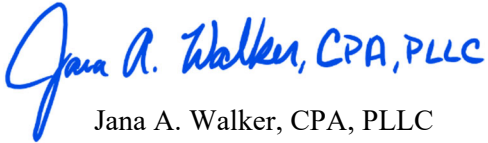
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and net pension schedules on pages 4–10 and 36–40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tonkawa, Oklahoma's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards is 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 April 11, 2024, on our consideration of the City of Tonkawa, Oklahoma’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tonkawa, 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 Tonkawa, Oklahoma’s internal control over financial reporting and compliance.



Jana A. Walker, CPA, PLLC  
Woodward, Oklahoma  
April 11, 2024

Within this section, the City of Tonkawa's ("City") management provides narrative discussion and analysis of the financial performance of the City's for the fiscal year ended June 30, 2023. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

## FINANCIAL SUMMARY

- At June 30, 2023, the assets of the City exceeded its liabilities by \$22,143,631 (net position). Of this amount \$3,718,387 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This compares favorably to the previous year when assets and deferred outflows exceeded liabilities and deferred inflows by \$20,070,210.
- The City's total net position are comprised of the following:
  - (1) Invested in capital assets, net of related debt of \$9,275,816 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
  - (2) Restricted net position of \$9,149,428. This balance noted a significant increase over prior year due to proceeds from the issuance of debt during the fiscal year as well as a reclass of the Council committed funds related to capital improvement for Water, Wastewater, Streets, and Drainage.
  - (3) Unrestricted net position of \$3,718,387 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City were \$10,368,446. During the fiscal year, the City reduced outstanding note and bond obligations by \$441,914. Conversely, the City's pension obligation increased \$777 thousand dollars based upon the actuarial valuation performed by a third-party.
- Net position of governmental activities increased \$445,198 or 5%. The net position of business-type activities increased \$1,628,223 or 15%. Overall, the health of the City improved when compared to prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### **Government-wide Financial Statements**

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resources available and whether the City can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

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

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year and can be used to assess the City's operating results in its

entirety and analyze how the City's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

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

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

### ***Fund Financial Statements***

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

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

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

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

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

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

### ***Notes to the financial statements***

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

**Other information**

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

**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Position**

The City reported positive balances in total net position for both governmental and business-type activities, reporting \$9,836,029 and \$12,307,602, respectively. The City's overall financial position improved 10% between fiscal year 2023 and 2022.

	Summary of Net Position							
	Governmental Activities		Business-type Activities		Total		Change	
	2023	2022	2023	2022	2023	2022	\$	%
Current assets	\$ 4,974,714	\$ 4,601,148	\$ 9,872,029	\$ 9,394,704	\$ 14,846,743	\$ 13,995,852	\$ 850,891	6%
Noncurrent assets	87,786	1,015,204	-	71	87,786	1,015,275	(927,489)	100%
Capital assets, net	5,855,992	5,460,303	11,008,027	9,825,557	16,864,019	15,285,860	1,578,159	10%
<b>Total assets</b>	<b>10,918,492</b>	<b>11,076,655</b>	<b>20,880,056</b>	<b>19,220,332</b>	<b>31,798,548</b>	<b>30,296,987</b>	<b>1,501,561</b>	<b>5%</b>
Deferred outflow	2,061,155	652,397	-	-	2,061,155	652,397	1,408,758	216%
Current liabilities	492,195	163,507	1,146,166	727,208	1,638,361	890,715	747,646	84%
Non-current liabilities	1,303,797	543,865	7,426,288	7,813,745	8,730,085	8,357,610	372,475	4%
<b>Total liabilities</b>	<b>1,795,992</b>	<b>707,372</b>	<b>8,572,454</b>	<b>8,540,953</b>	<b>10,368,446</b>	<b>9,248,325</b>	<b>1,120,121</b>	<b>12%</b>
Deferred inflow	1,347,626	1,630,849	-	-	1,347,626	1,630,849	(283,223)	-17%
Net investment in capital assets	5,855,992	5,460,303	3,419,824	2,084,131	9,275,816	7,544,434	1,731,382	23%
Restricted	3,533,508	3,590,278	5,615,920	5,206,766	9,149,428	8,797,044	352,384	4%
Unrestricted	446,529	340,250	3,271,858	3,388,482	3,718,387	3,728,732	(10,345)	0%
<b>Net position</b>	<b>9,836,029</b>	<b>9,390,831</b>	<b>12,307,602</b>	<b>10,679,379</b>	<b>22,143,631</b>	<b>20,070,210</b>	<b>2,073,421</b>	<b>10%</b>

Total assets of the City increased 5% when compared to prior year. Capital assets increased over \$1.5 million. Noncurrent assets consist of the pension assets recorded by the City as calculated annually by a third party actuary. The City reflected a \$927 thousand dollar decline in pension assets when compared to prior year.

Total liabilities increased 12% or \$1.1 million mainly due to an increase in the pension liability. During the year payments were made on outstanding obligations in accordance with scheduled terms, as well as payments made on obligations due to vendors which offset this increase. Overall, the City's net position improved when compared to prior year.

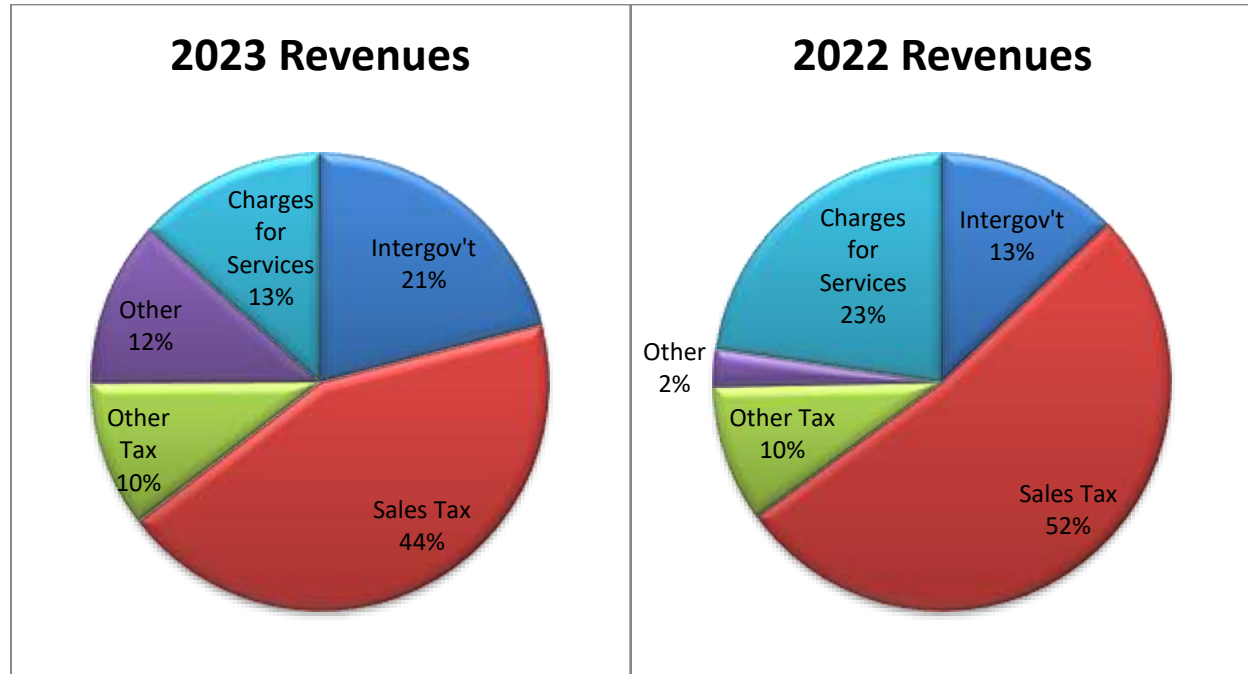


	Summary of Changes in Net Position							
	Governmental		Business-type		Total		\$ Change	% Change
	2023	2022	2023	2022	2023	2022		
<b>Revenues</b>								
Program revenues	\$ 1,647,545	\$ 1,349,538	\$ 7,175,884	\$ 6,490,165	\$ 8,823,429	\$ 7,839,703	\$ 983,726	13%
Taxes and other general revenues	3,136,184	2,702,743	246,884	286,681	3,383,068	2,989,424	393,644	13%
<b>Total revenues</b>	<b>4,783,729</b>	<b>4,052,281</b>	<b>7,422,768</b>	<b>6,776,846</b>	<b>12,206,497</b>	<b>10,829,127</b>	<b>1,377,370</b>	<b>13%</b>
<b>Expenses</b>								
General government	313,784	501,746	-	-	313,784	501,746	(187,962)	-37%
Public safety and judiciary	2,163,216	2,116,377	-	-	2,163,216	2,116,377	46,839	2%
Transportation	540,960	178,183	-	-	540,960	178,183	362,777	204%
Cultural, parks, and recreation	625,272	432,925	-	-	625,272	432,925	192,347	44%
Economic development	-	-	39,190	43,149	39,190	43,149	(3,959)	-9%
Electric	-	-	3,755,876	3,430,951	3,755,876	3,430,951	324,925	9%
Water	-	-	1,556,740	718,383	1,556,740	718,383	838,357	117%
Sewer	-	-	303,130	286,413	303,130	286,413	16,717	6%
Sanitation	-	-	309,280	286,617	309,280	286,617	22,663	8%
Natural gas	-	-	178,708	151,422	178,708	151,422	27,286	18%
Customer service	-	-	374,862	210,007	374,862	210,007	164,855	78%
<b>Total expenses</b>	<b>3,643,232</b>	<b>3,229,231</b>	<b>6,517,786</b>	<b>5,126,942</b>	<b>10,161,018</b>	<b>8,356,173</b>	<b>1,804,845</b>	<b>22%</b>
Excess (deficiency) before transfers	\$ 1,140,497	\$ 823,050	\$ 904,982	\$ 1,649,904	\$ 2,045,479	\$ 2,472,954	\$ (427,475)	-17%
Transfers	(695,299)	1,896,514	723,241	(1,896,514)	27,942.00	-	27,942	0%
<b>Increase (decrease) in net position</b>	<b>\$ 445,198</b>	<b>\$ 2,719,564</b>	<b>\$ 1,628,223</b>	<b>\$ (246,610)</b>	<b>\$ 2,073,421</b>	<b>\$ 2,472,954</b>	<b>\$ (399,533)</b>	<b>-16%</b>

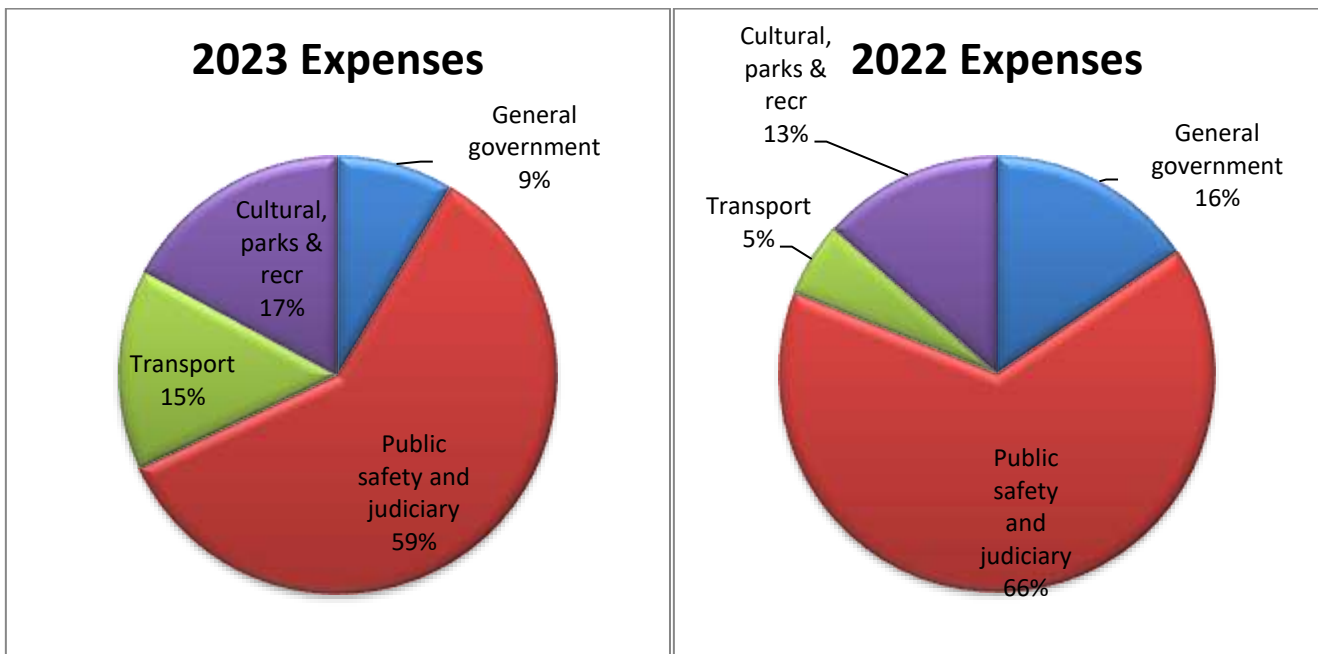
Revenues for the City increased over prior year by 13% or \$1.3 million dollars. Governmental activity program revenues increased from prior year, related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. The City received \$262 thousand in CARES funding during the year. Business activity program revenues reported an increase in billing revenues compared to prior year, primarily related to an increase in electric utility billing revenues.

Operating expenses reported a 22% or \$1.8 million dollar increase over prior year. Transportation expenses increased due improvements made to the City's roads and alleys. Electric expenses increased in line with usage as noted in the revenue increase. Water expenses increased due to depreciation on the system combined with debt service. All other department expenses remained consistent between years.

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



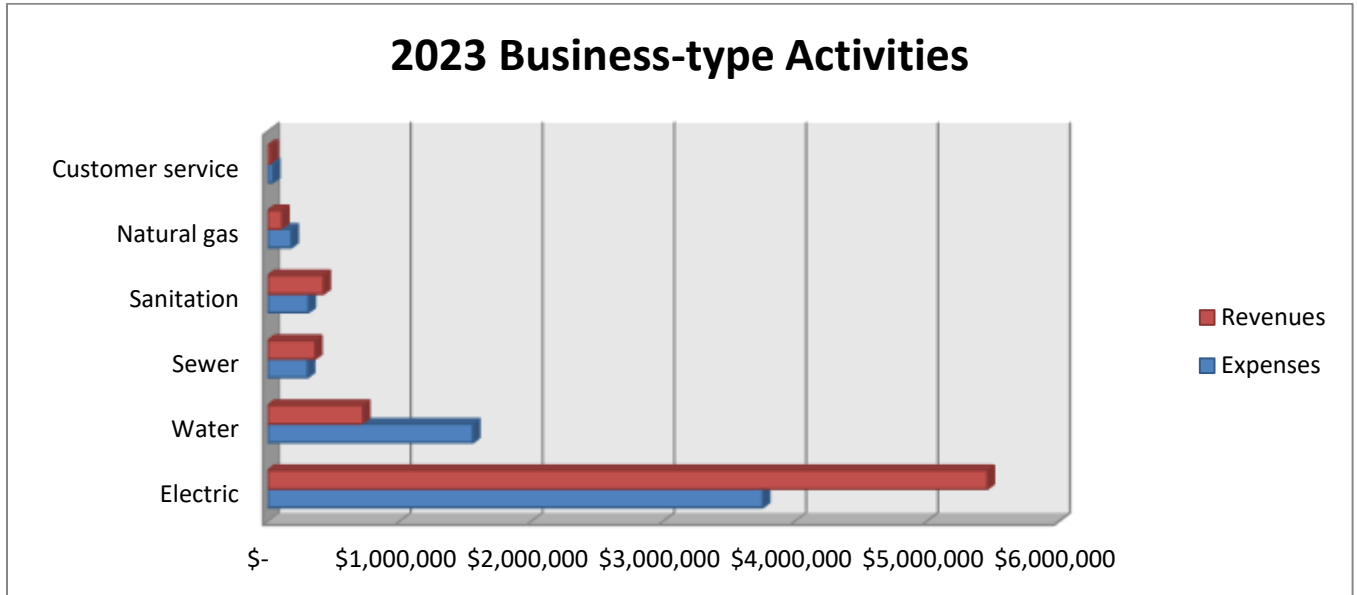
Sales tax provided for 44% of the City's governmental revenues in fiscal year 2023 as compared to 52% in 2022. Charges for services provided 13% of revenues for the City, as compared to 23% in prior year which consists mainly of ambulance revenues.



For the year ended June 30, 2023, total expenses for governmental activities were \$3,643,232 compared to \$3,229,231 in fiscal year 2022. Of this amount, public safety and judiciary with \$2,163,216, was the largest operating service department at 59% of the total cost of services for the City government, which is consistent with prior year. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues.

It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated, and capital assets are reported.

**Business-type Activities**



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

**General Fund Budgetary Highlights**

The original adopted General Fund budget for fiscal year 2023 was \$4,216,223 compared to \$5,283,859 in fiscal year 2022. The General Fund budget complied with financial policies approved by the City and the Oklahoma Municipal Budget Act.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2023, the City had \$9,275,816 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and electric lines, water lines and sewer lines in business-type activities. Refer to the table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land and CIP	\$ 2,369,782	\$ 2,369,782	\$ 3,082,948	\$ 2,621,004	\$ 5,452,730	\$ 4,990,786
Buildings	385,434	477,223	54,861	65,556	440,295	542,779
Machinery & equipment	366,884	526,363	1,726,559	752,421	2,093,443	1,278,784
Utility property & improvements	2,733,892	2,086,935	6,143,658	6,386,576	8,877,550	8,473,511
Totals	<u>\$ 5,855,992</u>	<u>\$ 5,460,303</u>	<u>\$ 11,008,026</u>	<u>\$ 9,825,557</u>	<u>\$ 16,864,018</u>	<u>\$ 15,285,860</u>

**Long-Term Debt**

At year-end, the City had \$8,730,085 in noncurrent liabilities. The City's comparative noncurrent liabilities are as follows:

	Primary Government Long-Term Debt			
	Governmental		Business-type	
	Activities		Activities	
	2023	2022	2023	2022
Notes payable	-	-	\$ 5,674,926	\$ 5,811,426
Bonds payable	-	-	1,913,277	1,930,000
Compensated absences	99,697	93,212	45,450	39,189
Pension liability	1,369,283	592,740	-	-
less current portion	-	-	(372,548)	(438,023)
Totals	<u>\$ 1,468,980</u>	<u>\$ 685,952</u>	<u>\$ 7,261,105</u>	<u>\$ 7,342,592</u>

**ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES**

Economic Environment

According to the Oklahoma State University, Spears School of Business, *Economic Outlook 2023 Summer Update* "The national economy has shown surprising resilience in the face of Federal Reserve hikes in interest rates, whereas the Oklahoma economy continues to recover from the COVID-19 recession."

The City is committed to continuing to provide citizens with the public safety and utility services they are accustomed to as the economy continues to recover.

**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 Tonkawa City Hall, 113 South 7th, Tonkawa, Oklahoma, 74653.

**City of Tonkawa, Oklahoma**  
**Statement of Net Position**  
**June 30, 2023**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current Assets:			
Cash and cash equivalents	\$ 1,237,674	\$ 3,616,533	\$ 4,854,207
Accounts receivable (net)	10,692	149,978	160,670
Receivable from other governments	192,840	-	192,840
Total current assets	<u>1,441,206</u>	<u>3,766,511</u>	<u>5,207,717</u>
Restricted assets:			
Cash	3,533,508	6,105,518	9,639,026
Total restricted assets	<u>3,533,508</u>	<u>6,105,518</u>	<u>9,639,026</u>
Noncurrent Assets:			
Pension assets	87,786	-	87,786
Land and construction in progress	2,369,782	2,621,004	4,990,786
Other capital assets (net of accumulated depreciation)	3,486,210	8,387,023	11,873,233
Total noncurrent assets	<u>5,943,778</u>	<u>11,008,027</u>	<u>16,951,805</u>
Total assets	<u>10,918,492</u>	<u>20,880,056</u>	<u>31,798,548</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on pension obligations	<u>2,061,155</u>	<u>-</u>	<u>2,061,155</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 421,784	\$ 519,684	\$ 941,468
Other current liabilities	-	6,647	6,647
Payroll liabilities	70,411	18,478	88,889
Notes payable, current	-	32,548	32,548
Total current liabilities	<u>492,195</u>	<u>577,357</u>	<u>1,069,552</u>
Liabilities payable from restricted assets:			
Accrued interest payable	-	41,580	41,580
Customer deposits payable	-	187,229	187,229
Bonds payable, current	-	340,000	340,000
Total liabilities payable from restricted assets	<u>-</u>	<u>568,809</u>	<u>568,809</u>
Noncurrent liabilities:			
Due to other funds	(165,183)	165,183	-
Compensated absences	99,697	45,450	145,147
Pension liability	1,369,283	-	1,369,283
Notes payable, non-current	-	5,642,378	5,642,378
Bonds payable, non-current	-	1,573,277	1,573,277
Total noncurrent liabilities	<u>1,303,797</u>	<u>7,426,288</u>	<u>8,730,085</u>
Total liabilities	<u>1,795,992</u>	<u>8,572,454</u>	<u>10,368,446</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on pension obligations	<u>1,347,626</u>	<u>-</u>	<u>1,347,626</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,855,992	3,419,824	9,275,816
Restricted	3,533,508	5,615,920	9,149,428
Unrestricted	446,529	3,271,858	3,718,387
Total net position	<u>\$ 9,836,029</u>	<u>\$ 12,307,602</u>	<u>\$ 22,143,631</u>

**City of Tonkawa, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 219,464	\$ 125,537	\$ 262,703	\$ -	\$ 168,776
Administration	94,320	-	-	-	(94,320)
Total general government	<u>313,784</u>	<u>125,537</u>	<u>262,703</u>	<u>-</u>	<u>74,456</u>
Public safety and judiciary:					
Legal and courts	75,071	-	-	-	(75,071)
Code enforcement	54,771	-	-	-	(54,771)
Police	1,008,862	111,603	1,000	-	(896,259)
Fire	542,444	4,720	11,623	-	(526,101)
Ambulance	482,068	342,438	-	-	(139,630)
Total public safety and judiciary	<u>2,163,216</u>	<u>458,761</u>	<u>12,623</u>	<u>-</u>	<u>(1,691,832)</u>
Transportation:					
Streets	537,026	-	27,599	-	(509,427)
Airport	3,934	-	-	-	(3,934)
Total transportation	<u>540,960</u>	<u>-</u>	<u>27,599</u>	<u>-</u>	<u>(513,361)</u>
Cultural, parks and recreation:					
Parks	458,099	76,780	2,646	680,896	302,223
Library	167,173	-	-	-	(167,173)
Total cultural, parks and recreation	<u>625,272</u>	<u>76,780</u>	<u>2,646</u>	<u>680,896</u>	<u>135,050</u>
Total governmental activities	<u>3,643,232</u>	<u>661,078</u>	<u>305,571</u>	<u>680,896</u>	<u>(1,995,687)</u>
Business-type activities:					
Electric	3,755,876	5,459,063	-	-	1,703,187
Water	1,556,740	721,965	-	-	(834,775)
Sewer	303,130	359,161	-	-	56,031
Sanitation	309,280	423,021	-	-	113,741
Natural gas	178,708	108,362	-	-	(70,346)
Customer service	374,862	78,927	-	-	(295,935)
Economic development	39,190	3,900	21,485	-	(13,805)
Total business-type activities	<u>6,517,786</u>	<u>7,154,399</u>	<u>21,485</u>	<u>-</u>	<u>658,098</u>
Total primary government	<u>\$ 10,161,018</u>	<u>\$ 7,815,477</u>	<u>\$ 327,056</u>	<u>\$ 680,896</u>	<u>\$ (1,337,589)</u>

(Continued)

**City of Tonkawa, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2023**

**Changes in Net Position**

(Continued)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net (expense)/revenue	\$ (1,995,687)	\$ 658,098	\$ (1,337,589)
General revenues:			
Taxes:			
Sales taxes	2,043,748	-	2,043,748
Use taxes	372,637	-	372,637
Franchise taxes	38,059	-	38,059
Cigarette taxes	13,925	-	13,925
Alcoholic beverage tax	24,141	-	24,141
Investment income	113,318	122,664	235,982
Miscellaneous	430,263	124,220	554,483
Change in pension obligation	100,093	-	100,093
Transfers-Internal activity	(695,299)	723,241	27,942
Total general revenues and transfers	<u>2,440,885</u>	<u>970,125</u>	<u>3,411,010</u>
Change in net position	445,198	1,628,223	2,073,421
Net position-beginning	9,390,831	10,679,379	20,070,210
Prior period adjustment	-	-	-
Net position-ending	<u>\$ 9,836,029</u>	<u>\$ 12,307,602</u>	<u>\$ 22,143,631</u>

**City of Tonkawa, Oklahoma**  
**Balance Sheet**  
**June 30, 2023**

	<u>General Fund</u>	<u>Capital Projects Improvement Fund</u>	<u>Special Revenue Blinn Park Memorial Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,658,126	\$ 2,109,866	\$ 3,190	\$ 4,771,182
Accounts receivable	9,766	-	-	9,766
Fines receivable, net of allowance	926	-	-	926
Receivable from other governments	192,840	-	-	192,840
Due from other funds	192,129	-	-	192,129
Total assets	<u>\$ 3,053,787</u>	<u>\$ 2,109,866</u>	<u>\$ 3,190</u>	<u>\$ 5,166,843</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 421,784	\$ -	\$ -	\$ 421,784
Salaries and vacation payable	170,108	-	-	170,108
Due to other funds	26,946	-	-	26,946
Total liabilities	<u>618,838</u>	<u>-</u>	<u>-</u>	<u>618,838</u>
<b>FUND BALANCES</b>				
Restricted	8,846	-	-	8,846
Committed	66,060	2,109,866	-	2,175,926
Assigned	1,136,138	-	3,190	1,139,328
Unassigned	1,223,905	-	-	1,223,905
Total fund balances	<u>2,434,949</u>	<u>2,109,866</u>	<u>3,190</u>	<u>4,548,005</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,053,787</u>	<u>\$ 2,109,866</u>	<u>\$ 3,190</u>	<u>\$ 5,166,843</u>
Total fund balance - total governmental funds				4,548,005
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds				
			10,024,049	
			<u>(4,168,057)</u>	5,855,992
Long-term liabilities are not due and payable in the current period and are not reported in the funds				
			(1,281,497)	
			<u>713,529</u>	<u>(567,968)</u>
Net position of governmental activities				<u>\$ 9,836,029</u>



**City of Tonkawa, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2023**

	<b>General Fund</b>	<b>Capital Projects Improvement Fund</b>	<b>Special Revenue Blinn Park Memorial Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Sales taxes	\$ 2,043,748	\$ -	\$ -	\$ 2,043,748
Use taxes	372,637	-	-	372,637
Franchise taxes	38,059	-	-	38,059
E911 fees	34,572	-	-	34,572
Cigarette tax	13,925	-	-	13,925
Alcoholic Beverage Tax	24,141	-	-	24,141
Licenses and permits	14,126	-	-	14,126
Fines and forfeitures	77,031	-	-	77,031
Investment income	54,661	58,638	19	113,318
Charges for services	423,937	-	-	423,937
Rental income	111,410	-	-	111,410
Intergovernmental	981,253	-	-	981,253
Donations	5,216	-	-	5,216
Miscellaneous	430,263	-	-	430,263
Total revenues	<u>4,624,979</u>	<u>58,638</u>	<u>19</u>	<u>4,683,636</u>
<b>EXPENDITURES</b>				
General government:				
General government	200,267	-	-	200,267
Administration	94,320	-	-	94,320
Total general government	<u>294,587</u>	<u>-</u>	<u>-</u>	<u>294,587</u>
Public safety and judiciary:				
Legal and courts	75,071	-	-	75,071
Code enforcement	54,771	-	-	54,771
Police	975,348	-	-	975,348
Fire	497,436	-	-	497,436
Ambulance	432,054	-	-	432,054
Total public safety and judiciary	<u>2,034,680</u>	<u>-</u>	<u>-</u>	<u>2,034,680</u>
Transportation:				
Street	438,838	-	-	438,838
Airport	3,934	-	-	3,934
Total transportation	<u>442,772</u>	<u>-</u>	<u>-</u>	<u>442,772</u>
Cultural, parks and recreation:				
Parks	209,710	-	-	209,710
Library	166,853	-	-	166,853
Total cultural, parks and recreation	<u>376,563</u>	<u>-</u>	<u>-</u>	<u>376,563</u>
Capital outlay	871,458	-	-	871,458
Total expenditures	<u>4,020,060</u>	<u>-</u>	<u>-</u>	<u>4,020,060</u>
Excess (deficiency) of revenues over expenditures	<u>604,919</u>	<u>58,638</u>	<u>19</u>	<u>663,576</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,248,032	842,024	-	3,090,056
Transfers out	(2,827,904)	(937,451)	(20,000)	(3,785,355)
Total other financing sources and uses	<u>(579,872)</u>	<u>(95,427)</u>	<u>(20,000)</u>	<u>(695,299)</u>
Net change in fund balances	25,047	(36,789)	(19,981)	(31,723)
Fund balances - beginning	2,409,902	2,146,655	23,171	4,579,728
Fund balances - ending	<u>\$ 2,434,949</u>	<u>\$ 2,109,866</u>	<u>\$ 3,190</u>	<u>\$ 4,548,005</u>

(Continued)

**City of Tonkawa, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**June 30, 2023**

(Continued)

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

Net change in fund balances - total governmental funds \$ (31,723)

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

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	871,458
Depreciation expense	(494,630)

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

The fund financial statements report pension contributions as expenditures.	100,093
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Change in Net Position of Governmental Activities	\$ 445,198
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**City of Tonkawa, Oklahoma**  
**Statement of Net Position**  
**June 30, 2023**

	<b>Tonkawa Municipal Authority</b>	<b>Tonkawa Development Authority</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,537,322	\$ 79,211	\$ 3,616,533
Accounts receivable (net)	149,978	-	149,978
Total current assets	<u>3,687,300</u>	<u>79,211</u>	<u>3,766,511</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	6,105,518	-	6,105,518
Total restricted assets	<u>6,105,518</u>	<u>-</u>	<u>6,105,518</u>
Noncurrent assets:			
Capital assets (net)	10,946,394	61,633	11,008,027
Total noncurrent assets	<u>10,946,394</u>	<u>61,633</u>	<u>11,008,027</u>
<b>Total assets</b>	<u>\$ 20,739,212</u>	<u>\$ 140,844</u>	<u>\$ 20,880,056</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 519,684	\$ -	\$ 519,684
Other current liabilities	6,647	-	6,647
Payroll liabilities	18,478	-	18,478
Notes payable, current	32,548	-	32,548
Due to other funds	165,183	-	165,183
Total current liabilities	<u>742,540</u>	<u>-</u>	<u>742,540</u>
Liabilities payable from restricted assets:			
Customer deposits payable	187,229	-	187,229
Accrued interest payable	41,580	-	41,580
Bonds payable, current	340,000	-	340,000
Total liabilities payable from restricted assets	<u>568,809</u>	<u>-</u>	<u>568,809</u>
Noncurrent liabilities:			
Compensated absences, non-current	45,450	-	45,450
Notes payable, non-current	5,642,378	-	5,642,378
Bonds payable, noncurrent	1,573,277	-	1,573,277
Total noncurrent liabilities	<u>7,261,105</u>	<u>-</u>	<u>7,261,105</u>
<b>Total liabilities</b>	<u>8,572,454</u>	<u>-</u>	<u>8,572,454</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,358,191	61,633	3,419,824
Restricted	5,536,709	79,211	5,615,920
Unrestricted	3,271,858	-	3,271,858
<b>Total net position</b>	<u>\$ 12,166,758</u>	<u>\$ 140,844</u>	<u>\$ 12,307,602</u>

**City of Tonkawa, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Year Ended June 30, 2023**

	<b>Tonkawa Municipal Authority</b>	<b>Tonkawa Development Authority</b>	<b>Total Enterprise Funds</b>
<b><u>Operating revenues:</u></b>			
Charges for services:			
Electric charges	\$ 5,459,063	\$ -	\$ 5,459,063
Water charges	721,965	-	721,965
Sewer charges	359,161	-	359,161
Sanitation charges	423,021	-	423,021
Natural gas charges	108,362	-	108,362
Penalties	78,927	-	78,927
Total charges for services	<u>7,150,499</u>	<u>-</u>	<u>7,150,499</u>
Lease and rental income	-	3,900	3,900
Donations	-	21,485	21,485
Miscellaneous	124,174	46	124,220
Total operating revenues	<u>7,274,673</u>	<u>25,431</u>	<u>7,300,104</u>
<b><u>Operating expenses:</u></b>			
Cost of goods sold	3,072,284	-	3,072,284
Personal services	1,091,262	-	1,091,262
Materials and supplies	802,570	696	803,266
Other services and charges	674,370	38,494	712,864
Depreciation and amortization	606,243	-	606,243
Total operating expenses	<u>6,246,729</u>	<u>39,190</u>	<u>6,285,919</u>
Net operating income	1,027,944	(13,759)	1,014,185
<b><u>Nonoperating revenue (expense):</u></b>			
Investment income	122,438	226	122,664
Interest expense	(213,451)	-	(213,451)
Bad debt expense	(18,416)	-	(18,416)
Total nonoperating revenue (expense)	<u>(109,429)</u>	<u>226</u>	<u>(109,203)</u>
<b>Net income before contributions and transfers</b>	918,515	(13,533)	904,982
Transfers from other funds	2,700,784	27,942	2,728,726
Transfers to other funds	(2,005,485)	-	(2,005,485)
<b>Change in net position</b>	1,613,814	14,409	1,628,223
Net position-beginning of year	10,552,944	126,435	10,679,379
Net position-end of year	<u>\$ 12,166,758</u>	<u>\$ 140,844</u>	<u>\$ 12,307,602</u>

**City of Tonkawa, Oklahoma**  
**Statement of Cash Flows**  
**Year Ended June 30, 2023**

	<b>Tonkawa Municipal Authority</b>	<b>Tonkawa Development Authority</b>	<b>Total Enterprise Funds</b>
<b><u>Cash flows from operating activities:</u></b>			
Receipts from customers/contracts	\$ 7,150,649	\$ 4,131	\$ 7,154,780
Payments to suppliers	(4,072,465)	(39,190)	(4,111,655)
Payments to employees	(1,086,129)	-	(1,086,129)
Other operating revenues	124,174	21,531	145,705
<b>Net cash provided (used) by operating activities</b>	<b>2,116,229</b>	<b>(13,528)</b>	<b>2,102,701</b>
<b><u>Cash flows from non-capital financing activities:</u></b>			
Transfers from other funds	2,700,784	27,942	2,728,726
Transfers to other funds	(2,005,485)	-	(2,005,485)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>695,299</b>	<b>27,942</b>	<b>723,241</b>
<b><u>Cash flows from capital and related financing activities:</u></b>			
Purchase of capital assets	(1,799,662)	-	(1,799,662)
Principal paid on debt	(441,914)	-	(441,914)
Interest and fiscal charges paid on debt	(205,284)	-	(205,284)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(2,446,860)</b>	<b>-</b>	<b>(2,446,860)</b>
<b><u>Cash flows from investing activities:</u></b>			
(Purchase)/liquidation of investments, unrestricted	614,088	226	614,314
<b>Net cash provided (used) by investing activities</b>	<b>614,088</b>	<b>226</b>	<b>614,314</b>
Net increase (decrease) in cash and cash equivalents	978,756	14,640	993,396
Cash and cash equivalents, beginning of the year	8,664,084	64,571	8,728,655
Cash & cash equivalents, end of the year	<b>\$ 9,642,840</b>	<b>\$ 79,211</b>	<b>\$ 9,722,051</b>
Cash, including time deposits	\$ 3,537,322	\$ 79,211	\$ 3,616,533
Restricted cash, including time deposits	6,105,518	-	6,105,518
Total cash and cash equivalents, end of year	<b>\$ 9,642,840</b>	<b>\$ 79,211</b>	<b>\$ 9,722,051</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 1,027,944	\$ (13,759)	\$ 1,014,185
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	606,243	-	606,243
Bad debt	18,416	-	18,416
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(18,266)	-	(18,266)
(Increase) decrease in other assets	-	231	231
Increase (decrease) in accounts payable	470,112	-	470,112
Increase (decrease) in other liabilities	6,647	-	6,647
Increase (decrease) in compensated absences	5,133	-	5,133
Total adjustments	1,088,285	231	1,088,516
<b>Net cash provided (used) by operating activities</b>	<b>\$ 2,116,229</b>	<b>\$ (13,528)</b>	<b>\$ 2,102,701</b>

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Tonkawa, Oklahoma ("City") are discussed in subsequent section of this note. The remainder of the notes is organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended June 30, 2023.

**A. Reporting Entity**

***Fund Types and Major Funds***

**Major Governmental Funds**

General Fund

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

**Non-Major Governmental Funds**

Capital Improvement Fund

Accounts for the capital expenditures of the 1% limited purpose sales tax. Two-thirds of the tax is restricted for use for water, sewer, sanitation, and drainage. One-third of the tax is restricted for debt payments on the pool bond issue.

Blinn Park Fund

Established as a special revenue fund to account for operations at the City's Blinn Park.

**Major Proprietary Funds**

Tonkawa Municipal Authority

Accounts for the operating activities of the electric, water, sewer, and sanitation utilities of the City.

Tonkawa Development Authority

Accounts for the operating activities of the economic development of the City.

**B. Basic Financial Statements**

***Government-wide Financial Statements***

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

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

***Fund Financial Statements***

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

***Measurement Focus and Basis of Accounting***

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

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

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

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

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

**C. Budget Policy and Practice**

***Budget Approval***

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

***Basis of Budgeting***

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

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

***Cash and Investments***

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

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

***Accounts Receivable***

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

***Restricted Assets***

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

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

***Interfund Balances***

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

**Capital Assets, Depreciation, and Amortization**

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

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

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

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

**Compensated Absences**

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees to specified maximums. Generally, after one year of services, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued long-term liabilities in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

**Fund Equity**

**Fund Balance**

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

**Net Position**

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

**Invested in capital assets, net of related debt**

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position**

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

**Unrestricted net position**

This consists of net position that does not meeting the criteria of "restricted" or "invested in capital assets, net of related debt".

**Governmental Fund Balances**

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

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

**Nonspendable**

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



**Restricted**

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

**Committed**

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

**Assigned**

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

**Unassigned**

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

***Use of Estimates***

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

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

**E. Policies Related to Revenues and Expenses**

***Program Revenues***

**Charges for Services**

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

**Grants and Contributions**

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

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

**General Revenues**

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

**Sales Tax**

The City levied a 4.5% sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. A portion of the sales tax received is restricted as to the use. The unrestricted portion (3%) is recorded as sales tax revenue within the General Fund; the remaining 1.5% is restricted and transferred to the Capital Improvement fund, allocated 1% for water, sewer, sanitation, and drainage improvements and 0.5% for debt service on the 2016 bond issue.

**(2) ASSETS AND LIABILITIES**

**A. Assets**

***Deposits and Investments***

**Deposits**

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

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

**CITY OF TONKAWA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Investments**

The City invests primarily in certificates of deposit. Investment securities are exposed to various risks such as interest rate risk and credit risk.

***Receivables and Uncollectable Amounts***

Significant receivables for governmental activities include sales and use tax receivables and ambulance receivables. Based Business-type receivables consist mainly of amount due from customers primarily for utility services. The City reports accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using balances past due greater than 60 days. At June 30, 2023, the City has estimated an allowance of \$105,362 and \$433,732 for governmental and business-type activities, respectively.

***Capital Assets***

**Changes in Capital Assets**

	<b>Primary Government</b>			
	<b>Balance at July 1, 2022</b>	<b>Additions</b>	<b>Deletions</b>	
<b><i>Governmental Activities</i></b>				
Construction in process	\$ 2,369,782	\$ -	\$ -	\$ 2,369,782
Buildings & structures	729,245	-	-	729,245
Machinery, furniture, & equipment	2,430,043	-	-	2,430,043
Infrastructure & improvements	3,604,661	890,318	-	4,494,979
<b>Total</b>	<b>9,133,731</b>	<b>890,318</b>	<b>-</b>	<b>10,024,049</b>
Less accumulated depreciation	3,673,428	494,629	-	4,168,057
<b>Governmental fixed assets, net</b>	<b>\$ 5,460,303</b>	<b>\$ 395,689</b>	<b>\$ -</b>	<b>\$ 5,855,992</b>
<b><i>Business-type Activities</i></b>				
Land	\$ 1,779,553	\$ 461,944	\$ -	\$ 2,241,497
Construction in process	841,451	-	-	841,451
Buildings & structures	176,588	-	-	176,588
Machinery, furniture, & equipment	1,315,913	1,247,237	-	2,563,150
Infrastructure & improvements	11,068,420	90,481	-	11,158,901
<b>Total</b>	<b>15,181,925</b>	<b>1,799,662</b>	<b>-</b>	<b>16,981,587</b>
Less accumulated depreciation	5,356,368	617,193	-	5,973,561
<b>Business-type fixed assets, net</b>	<b>\$ 9,825,557</b>	<b>\$1,182,469</b>	<b>\$ -</b>	<b>\$ 11,008,026</b>
<b>Total primary government</b>	<b>\$ 15,285,860</b>	<b>\$1,578,158</b>	<b>\$ -</b>	<b>\$ 16,864,018</b>

**CITY OF TONKAWA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Depreciation Expense**

Primary Government			
Governmental Activities		Business-type Activities	
General government	\$ 19,196	Electric	\$ 185,735
Public safety & judiciary	128,536	Water	231,227
Transportation	98,188	Sewer	144,877
Cultural, parks & recreation	248,709	Gas	886
		Customer service	54,308
		Economic development	160
<b>Total depreciation expense</b>	<b>\$ 494,629</b>	<b>Total depreciation expense</b>	<b>\$ 617,193</b>

**B. Liabilities**

**Notes and Bonds Payable**

**Business-Type Activities**

**Notes Payable:**

\$1,070,000 Tonkawa Municipal Authority, Kay County, Oklahoma, Series 2002A Small Community Clear Water SRF promissory note to the Oklahoma Water Resources Board, loan number ORF-97-007CW, dated November 14, 2002, due in semi-annual installments over 20 years plus interest of 2.2% plus 0.5% admin fee, on March 15 and September 15. Note was used to fund expansion and improvement of the sanitary sewer system. Loan is secured by pledged sales tax and utility system revenues. \$ 32,548

\$5,615,000 Tonkawa Municipal Authority, Kay County, Oklahoma, Series 2021 Promissory note to the Oklahoma Water Resources Board, dated June 15, 2021, due in semi-annual installments over 40 years plus interest of 4.2%. Proceeds were used to finance certain water system improvements. Loan is secured by pledged water, sewer, and electric systems and further secured by a sales tax. 5,615,000

**\$ 5,647,548**

**Bonds Payable:**

In August 2016, TMA issued \$3,435,000 in revenue bonds, Series 2016 for the purpose of capital improvements including a new water tower, automated meter reading system, drainage improvements and gas line installation. The notes mature July 1, 2027 and carry an interest rate of 1.99% per annum. The notes require monthly payments into a debt service account from which semi-annual debt service payments are made. The Note is secured by electric, water, and sewer revenues (the "system) and 1% restricted sales tax revenues. 1,595,000

**\$ 1,595,000**

**CITY OF TONKAWA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Changes in Long-Term Debt**

	<u>Balance at July 1, 2022</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2023</u>	<u>Due Within One Year</u>
<b>Business-type activities</b>					
Notes payable					
OWRB 2002	\$ 5,161	\$ -	\$ 5,161	\$ -	\$ -
OWRB 2002A	96,332	-	63,784	32,548	32,548
OWRB 2002B	37,969	-	37,969	-	-
OWRB FAP-21	5,615,000	-	-	5,615,000	-
Total notes payable	<u>5,754,462</u>	<u>-</u>	<u>106,914</u>	<u>5,647,548</u>	<u>32,548</u>
Bonds payable					
Series 2016	1,930,000	-	335,000	1,595,000	340,000
Total bonds payable	<u>1,930,000</u>	<u>-</u>	<u>335,000</u>	<u>1,595,000</u>	<u>340,000</u>
<b>Total business-type activities</b>	<u>\$ 7,684,462</u>	<u>\$ -</u>	<u>\$ 441,914</u>	<u>\$ 7,242,548</u>	<u>\$ 372,548</u>
<b>Total primary government</b>	<u>\$ 7,684,462</u>	<u>\$ -</u>	<u>\$ 441,914</u>	<u>\$ 7,242,548</u>	<u>\$ 372,548</u>

**Annual Debt Service Requirements**

Year Ending June 30	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2024	\$ 32,548	\$ 165,874	\$ 340,000	\$ 30,049
2025	-	165,705	350,000	23,233
2026	10,000	165,495	355,000	16,268
2027	10,000	164,655	365,000	9,154
2028	10,000	164,655	185,000	1,841
2028-2032	835,000	737,280	-	-
2033-2037	1,030,000	544,755	-	-
2038-2042	1,195,000	388,248	-	-
2043-2047	1,335,000	238,149	-	-
2048-2051	1,190,000	62,315	-	-
Totals	<u>\$ 5,647,548</u>	<u>\$ 2,797,131</u>	<u>\$ 1,595,000</u>	<u>\$ 80,545</u>

**(3) REVENUES AND EXPENSES**

*Interfund Transfers*

	<u>Due From</u>	<u>Due To</u>
<b>GENERAL FUND</b>		
Tonkawa Municipal Authority	\$ 26,946	\$ 192,130
Total General Fund	<u>26,946</u>	<u>192,130</u>
<b>TONKAWA MUNICIPAL AUTHORITY</b>		
General Fund	192,130	26,946
Total Tonkawa Municipal Authority	<u>192,130</u>	<u>26,946</u>
<b>GRAND TOTAL</b>	<b><u>\$ 219,076</u></b>	<b><u>\$ 219,076</u></b>

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>GENERAL FUND</b>		
Capital Improvement Fund	\$ 400,000	\$ 684,571
Tonkawa Municipal Authority	1,844,176	2,143,333
Total General Fund	<u>2,244,176</u>	<u>2,827,904</u>
<b>CAPITAL IMPROVEMENT FUND</b>		
General Fund	684,571	400,000
Tonkawa Municipal Authority	157,453	537,451
Total Capital Improvement Fund	<u>842,024</u>	<u>937,451</u>
<b>BLINN PARK FUND</b>		
Tonkawa Municipal Authority	-	20,000
Total Capital Improvement Fund	<u>-</u>	<u>20,000</u>
<b>TONKAWA MUNICIPAL AUTHORITY</b>		
General Fund	2,143,333	1,844,176
Capital Improvement Fund	537,451	157,453
Blinn Park	20,000	
Total Tonkawa Municipal Authority	<u>-</u>	<u>2,700,784</u>
<b>GRAND TOTAL</b>	<b><u>\$ 5,786,984</u></b>	<b><u>\$ 5,786,984</u></b>

**(4) PENSION AND POST-EMPLOYMENT PLANS**

The City participates in three employee pension systems as follows:

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

A summary of the impact follows:

	<b>Governmental Activities</b>
<b>Pension Expense</b>	
Employee Retirement System	\$ 5,848
Police	17,751
Firefighters	190,329
	\$ 213,928
<b>Net Pension Liability (Asset)</b>	
Employee Retirement System	\$ (13,508)
Police	(74,278)
Firefighters	1,369,283
	\$ 1,281,497
<b>Deferred Outflows of Resources</b>	
Employee Retirement System	\$ 736,340
Police	480,017
Firefighters	844,798
	\$ 2,061,155
<b>Deferred Inflows of Resources</b>	
Employee Retirement System	\$ 557,553
Police	328,927
Firefighters	461,146
	\$ 1,347,626

**A. Oklahoma Municipal Retirement Fund**

**Plan Description**

Substantially all of the City's regular, full time employees, with the exception of police officers and firefighters, participate in a defined contribution plan administered by the Oklahoma Municipal Retirement System (OMRF), a statewide fund established to administer pension plans for municipal employees. The defined contribution plan is funded through contributions as elected by each municipality. Participants are required to participate 3.5% of their covered compensation. The City contributed 9.66% of covered compensation for fiscal year 2023. Participants are permitted to make voluntary deductible contributions to the plan. OMRF issues a publicly available financial report that can be obtained at [www.okmrf.org](http://www.okmrf.org).

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

**Benefits Provided**

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

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

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

**CITY OF TONKAWA, OKLAHOMA**  
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**JUNE 30, 2023**

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

At June 30, 2023, the City reported an asset of \$13,508 for its proportionate share of the net pension liability/(asset). The net pension net pension liability was measured as of July 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined.

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

For the year ended June 30, 2023, the City recognized pension expense of \$5,848. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 49,484	\$ 167,676
Changes of assumptions	10,335	53,486
Net difference between projected and actual earnings on pension plan investments	595,439	336,391
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	81,082	-
<b>Total</b>	<b>\$ 736,340</b>	<b>\$ 557,553</b>

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

**Year ended June 30:**

2024	\$ (12,311)
2025	(19,604)
2026	(8,256)
2027	137,876
2028	-

*Actuarial assumptions:* The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period ended July 1, 2007 through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2022 are summarized in the following table:

**CITY OF TONKAWA, OKLAHOMA**  
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	<b>Target Allocation</b>	<b>Real Return</b>	<b>Weighted Return</b>
Large cap stocks - S&P 500	25%	5.40%	1.35%
Small/mid cap stocks - Russell 2500	10%	7.50%	0.75%
Long/short equity - MSCI ACWI	10%	6.10%	0.61%
International stocks - MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate - NCREIF	5%	4.80%	0.24%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	<u>100%</u>		
Average Real Return			4.75%
Inflation			<u>3.00%</u>
Long term expected return			<u><u>7.75%</u></u>

*Discount rate:* The discount rate used to measure the total pension liability was 7.5 percent, as the plan's net fiduciary position is projected to be sufficient to make projected benefit payments. The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of the member's working career. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Therefore, no separate cash flow projection is required to determine the sufficiency of the plan assets. The 20 year tax free bond yield of 3.29% was used in the analysis.

Changes in the Net Pension Liability

	<b>Increase/(Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at June 30, 2021</b>	<b>\$ 2,881,553</b>	<b>\$ 3,513,738</b>	<b>\$ (632,185)</b>
<b>Changes for the year:</b>			
Service cost	84,742	-	84,742
Interest	209,846	-	209,846
Difference between expected and actual experience	62,205	-	62,205
Assumption changes	(67,235)	-	(67,235)
Contributions - employer	-	78,232	(78,232)
Contributions - employee	-	31,545	(31,545)
Net investment income	-	(432,881)	432,881
Benefit payments, including refunds of employee contributions	(170,295)	(170,295)	-
Administrative expenses	-	(6,015)	6,015
Other changes	-	-	-
<b>Net changes</b>	<u>119,263</u>	<u>(499,414)</u>	<u>618,677</u>
<b>Balances at June 30, 2022</b>	<u><b>\$ 3,000,816</b></u>	<u><b>\$ 3,014,324</b></u>	<u><b>\$ (13,508)</b></u>

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

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
City's proportionate share of the net pension liability/(asset)	\$ 362,883	\$ (13,508)	\$ (319,322)

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



**B. Oklahoma Police Pension and Retirement System**

*Plan description* – The City of Tonkawa, 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](http://www.ok.gov/OPPRS).

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

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

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

*Contributions* – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$47,661.

*Pension Liabilities, 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 \$383,019 for its proportionate share of the net pension liability/(asset). The net pension asset was measured as of July 1, 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 0.0798%.

For the year ended June 30, 2023, the City recognized pension expense of \$17,751. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 36,434	\$ 8,071
Changes of assumptions	2,586	-
Net difference between projected and actual earnings on pension plan investments	393,336	320,856
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	47,661	-
<b>Total</b>	<b>\$ 480,017</b>	<b>\$ 328,927</b>

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

Year ended June 30:		
2023	\$	70,978
2024		6,125
2025		(19,727)
2026		89,010
2027		4,704

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

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

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:

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. 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 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

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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%)
City's proportionate share of the net pension liability/(asset)	215,405	(74,278)	(318,962)

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](http://www.ok.gov/OPPRS).

**C. Oklahoma Firefighters Pension and Retirement System**

Plan Description – The City of Tonkawa, 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](http://www.ok.gov/fprs).

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

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

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

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

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

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$64,390 (fiscal year contributions).

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 \$1,369,283 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 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 0.00104707%.

For the year ended June 30, 2023, the City recognized pension expense of \$190,329. 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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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 175,779	\$ 6,912
Changes of assumptions	-	8,730
Net difference between projected and actual earnings on pension plan investments	604,629	445,504
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	64,390	-
<b>Total</b>	<u>\$ 844,798</u>	<u>\$ 461,146</u>

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

Year ended June 30:	
2023	\$ 85,040
2024	69,460
2025	19,738
2026	145,025
2027	-

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

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

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

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:

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

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

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

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	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	1,764,435	1,369,283	1,038,769

*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](http://www.ok.gov/fprs).

**(5) COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

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

**B. Grant Program Involvement**

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

**City of Tonkawa, Oklahoma**  
**General Fund**  
**Year Ended June 30, 2023**  
**Budget and Actual (Non-GAAP Budgetary Basis)**

	Original Budget	Revisions	Approved Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>					
Tax revenue	\$ 1,740,000	\$ -	\$ 1,740,000	\$ 2,454,451	\$ 714,451
Franchise taxes	27,000	-	27,000	38,059	11,059
Licenses and permits	16,000	-	16,000	14,126	(1,874)
Fines and forfeitures	125,000	-	125,000	111,603	(13,397)
Charges for services	385,000	-	385,000	423,937	38,937
Rental income	60,000	-	60,000	111,410	51,410
Intergovernmental	1,706,115	-	1,706,115	981,253	(724,862)
Interest income	-	-	-	54,661	54,661
Miscellaneous	150,000	-	150,000	435,479	285,479
Total revenues	<u>4,209,115</u>	<u>-</u>	<u>4,209,115</u>	<u>4,624,979</u>	<u>415,864</u>
<b>EXPENDITURES</b>					
Current:					
General government:					
General government	401,169	-	401,169	294,587	106,582
Total general government	<u>401,169</u>	<u>-</u>	<u>401,169</u>	<u>294,587</u>	<u>106,582</u>
Public safety and judiciary:					
Legal and courts	109,987	-	109,987	75,071	34,916
Code enforcement	56,300	-	56,300	54,771	1,529
Police	1,216,838	-	1,216,838	975,348	241,490
Fire	498,042	-	498,042	497,436	606
Ambulance	531,315	-	531,315	432,054	99,261
Total public safety and judiciary	<u>2,412,482</u>	<u>-</u>	<u>2,412,482</u>	<u>2,034,680</u>	<u>377,802</u>
Transportation:					
Street	136,400	-	136,400	87,562	48,838
Airport	11,300	-	11,300	3,934	7,366
Total transportation	<u>147,700</u>	<u>-</u>	<u>147,700</u>	<u>91,496</u>	<u>56,204</u>
Cultural, parks and recreation:					
Parks	1,003,116	-	1,003,116	996,577	6,539
Library	215,256	-	215,256	166,853	48,403
Pride	36,500	-	36,500	14,083	22,417
Total cultural, parks and recreation	<u>1,254,872</u>	<u>-</u>	<u>1,254,872</u>	<u>1,177,513</u>	<u>77,359</u>
Total expenditures	<u>4,216,223</u>	<u>-</u>	<u>4,216,223</u>	<u>3,598,276</u>	<u>617,947</u>
Revenue over (under) expenditures	(7,108)	-	(7,108)	1,026,703	(202,083)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	27,000	-	27,000	(579,872)	(606,872)
Net other financing sources (uses)	<u>27,000</u>	<u>-</u>	<u>27,000</u>	<u>(579,872)</u>	<u>(606,872)</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ 19,892</u>	<u>\$ -</u>	<u>\$ 19,892</u>	446,831	(808,955)
Fund balance at beginning of year (Non-GAAP budgetary basis)				2,995,821	2,995,821
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 3,442,652	<u>\$ 2,186,866</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and expenditure accruals				(1,007,703)	
Fund balance at end of year (GAAP basis)				<u>\$ 2,434,949</u>	

**Schedules of Required Supplementary Information**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Oklahoma Police Pension Retirement Plan**  
 Year Ended June 30, 2023

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>	<u>2023*</u>
City's portion of the net pension liability (asset)	0.0868%	0.0962%	0.0886%	0.0819%	0.0781%	0.0758%	0.0812%	0.0798%	0.0926%
City's proportionate share of the net pension liability (asset)	\$ (29,235)	\$ 3,923	\$ 135,744	\$ 6,298	\$ (37,198)	\$ (4,839)	\$ 93,227	\$ (383,019)	\$ (74,278)
City's covered-employee payroll	\$ 328,403	\$ 298,859	\$ 319,156	\$ 285,521	\$ 307,064	\$ 341,884	\$ 289,425	\$ 282,132	\$ 367,723
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-9%	1%	43%	2%	-12%	-1%	32%	-136%	-20%
Plan fiduciary net position as a percentage of the total pension liability	112.16%	100.00%	99.91%	100.00%	100.02%	100.00%	99.94%	100.25%	100.05%

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

**SCHEDULE OF CITY CONTRIBUTIONS**  
**Oklahoma Police Pension Retirement Plan**

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>	<u>2023*</u>
Contractually required contribution	\$ 31,579	\$ 35,355	\$ 33,982	\$ 29,721	\$ 32,150	\$ 35,383	\$ 35,919	\$ 43,131	\$ 47,661
Contributions in relation to the contractually required contribution	<u>(31,579)</u>	<u>(35,355)</u>	<u>(33,982)</u>	<u>(29,721)</u>	<u>(32,150)</u>	<u>(35,383)</u>	<u>(35,919)</u>	<u>(43,131)</u>	<u>(47,661)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 328,403	\$ 298,859	\$ 319,156	\$ 285,521	\$ 307,064	\$ 341,884	\$ 289,425	\$ 282,132	\$ 367,723
Contributions as a percentage of covered-employee payroll	9.62%	11.83%	10.65%	10.41%	10.47%	10.35%	12.41%	15.29%	12.96%

Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Oklahoma Fire Pension Retirement Plan**  
 Year Ended June 30, 2023

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>	<u>2023*</u>
City's portion of the net pension liability (asset)	0.1093%	0.1054%	0.1056%	0.1544%	0.1032%	0.1062%	0.0926%	0.0900%	0.1047%
City's proportionate share of the net pension liability (asset)	\$ 1,123,963	\$ 1,119,195	\$ 1,290,709	\$ 1,326,128	\$ 1,162,130	\$ 1,121,751	\$ 1,141,059	\$ 592,740	\$ 1,369,283
City's covered-employee payroll	\$ 209,076	\$ 159,995	\$ 189,886	\$ 160,409	\$ 182,601	\$ 182,602	\$ 181,913	\$ 132,193	\$ 197,985
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	538%	700%	680%	827%	636%	614%	627%	448%	692%
Plan fiduciary net position as a percentage of the total pension liability	99.13%	99.13%	99.89%	99.89%	99.90%	99.91%	99.91%	99.95%	99.89%

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

**SCHEDULE OF CITY CONTRIBUTIONS**  
**Oklahoma Fire Pension Retirement Plan**

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>	<u>2023*</u>
Contractually required contribution	\$ 40,850	\$ 40,334	\$ 41,372	\$ 42,268	\$ 45,300	\$ 39,443	\$ 40,274	\$ 32,301	\$ 67,390
Contributions in relation to the contractually required contribution	(40,850)	(40,334)	(41,372)	(42,268)	(45,300)	(39,443)	(40,274)	(32,301)	(67,390)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 209,076	\$ 159,995	\$ 189,886	\$ 160,409	\$ 182,601	\$ 182,602	\$ 181,913	\$ 132,193	\$ 197,985
Contributions as a percentage of covered-employee payroll	19.54%	25.21%	21.79%	26.35%	24.81%	21.60%	22.14%	24.43%	34.04%



Schedules of Required Supplementary Information

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

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>	<u>2023*</u>
<b>Total pension liability</b>									
Service cost	\$ 81,507	\$ 94,903	\$ 78,252	\$ 82,667	\$ 78,133	\$ 83,282	\$ 90,950	\$ 93,811	\$ 84,742
Interest	186,931	186,098	184,849	191,754	193,284	203,666	212,423	215,146	209,846
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(92,708)	29,945	(29,950)	69,346	(45,966)	(94,805)	(212,259)	62,205
Changes in assumptions	-	-	-	59,022	-	71,129	-	-	(67,235)
Benefit payments, including refunds of employee contributions	(188,518)	(207,173)	(201,547)	(206,431)	(194,486)	(210,456)	(179,696)	(164,550)	(170,295)
<b>Net change in total pension liability</b>	<u>\$ 79,920</u>	<u>\$ (18,880)</u>	<u>\$ 91,499</u>	<u>\$ 97,062</u>	<u>\$ 146,277</u>	<u>\$ 101,655</u>	<u>\$ 28,872</u>	<u>\$ (67,852)</u>	<u>\$ 119,263</u>
<b>Total pension liability - beginning</b>	<u>2,423,000</u>	<u>2,502,920</u>	<u>2,484,040</u>	<u>2,575,539</u>	<u>2,672,601</u>	<u>2,818,878</u>	<u>2,920,533</u>	<u>2,949,405</u>	<u>2,881,553</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 2,502,920</u></u>	<u><u>\$ 2,484,040</u></u>	<u><u>\$ 2,575,539</u></u>	<u><u>\$ 2,672,601</u></u>	<u><u>\$ 2,818,878</u></u>	<u><u>\$ 2,920,533</u></u>	<u><u>\$ 2,949,405</u></u>	<u><u>\$ 2,881,553</u></u>	<u><u>\$ 3,000,816</u></u>
<b>Plan fiduciary net position</b>									
Contributions - employer	82,471	80,800	67,695	60,568	63,503	69,288	82,677	90,634	78,232
Contributions - employee	29,666	30,706	27,908	27,603	27,888	28,836	30,460	32,838	31,545
Net investment income	368,247	70,258	20,220	293,411	190,589	179,289	112,169	768,341	(432,881)
Benefit payments, including refunds of employee contributions	(188,518)	(207,173)	(201,547)	(206,431)	(194,486)	(210,456)	(179,696)	(164,550)	(170,295)
Administrative expense	(5,438)	(5,260)	(4,924)	(5,162)	(5,325)	(5,442)	(5,649)	(5,693)	(6,015)
Other	-	-	-	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<u>286,428</u>	<u>(30,669)</u>	<u>(90,648)</u>	<u>169,989</u>	<u>82,169</u>	<u>61,515</u>	<u>39,961</u>	<u>721,570</u>	<u>(499,414)</u>
<b>Plan fiduciary net position - beginning</b>	<u>2,273,423</u>	<u>2,559,851</u>	<u>2,529,182</u>	<u>2,438,534</u>	<u>2,608,523</u>	<u>2,690,692</u>	<u>2,752,207</u>	<u>2,792,168</u>	<u>3,513,738</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 2,559,851</u></u>	<u><u>\$ 2,529,182</u></u>	<u><u>\$ 2,438,534</u></u>	<u><u>\$ 2,608,523</u></u>	<u><u>\$ 2,690,692</u></u>	<u><u>\$ 2,752,207</u></u>	<u><u>\$ 2,792,168</u></u>	<u><u>\$ 3,513,738</u></u>	<u><u>\$ 3,014,324</u></u>
<b>City's net pension liability - ending (a) - (b)</b>	<u><u>\$ (56,931)</u></u>	<u><u>\$ (45,142)</u></u>	<u><u>\$ 137,005</u></u>	<u><u>\$ 64,078</u></u>	<u><u>\$ 128,186</u></u>	<u><u>\$ 168,326</u></u>	<u><u>\$ 157,237</u></u>	<u><u>\$ (632,185)</u></u>	<u><u>\$ (13,508)</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	102.27%	101.82%	94.68%	97.60%	95.45%	94.24%	94.24%	121.94%	100.45%
<b>Covered-employee payroll</b>	\$ 879,822	\$ 712,740	\$ 761,280	\$ 720,355	\$ 752,278	\$ 834,853	\$ 883,174	\$ 777,884	\$ 926,136
<b>City's net pension liability as a percentage of covered-employee payroll</b>	-6.47%	-6.33%	18.00%	8.90%	17.04%	20.16%	17.80%	-81.27%	-1.46%

**Schedules of Required Supplementary Information**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Oklahoma Municipal Retirement Plan**  
 Year Ended June 30, 2023

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>	<u>2023*</u>
City's portion of the net pension liability (asset)	0.5393%	0.5177%	0.4992%	0.4809%	0.4713%	0.4821%	0.4891%	0.6155%	0.5280%
City's proportionate share of the net pension liability (asset)	\$ (56,933)	\$ (45,142)	\$ 137,005	\$ 64,078	\$ 128,186	\$ 168,326	\$ 157,237	\$ (632,185)	\$ (13,508)
City's covered-employee payroll	\$ 879,822	\$ 712,740	\$ 761,280	\$ 720,355	\$ 752,278	\$ 834,853	\$ 883,174	\$ 777,884	\$ 926,136
City's proportionate share of the net pension liability (asset) as a percentage of its covered-	-6.47%	-6.33%	18.00%	8.90%	17.04%	20.16%	17.80%	-81.27%	-1.46%
Plan fiduciary net position as a percentage of the total pension liability	106.69%	101.78%	94.38%	97.54%	95.24%	93.88%	94.37%	117.99%	100.45%

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

**SCHEDULE OF CITY CONTRIBUTIONS**  
**Oklahoma Municipal Retirement Plan**

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>	<u>2023*</u>
Actuarially determined contribution	\$ 82,471	\$ 80,800	\$ 67,695	\$ 60,568	\$ 63,503	\$ 69,288	\$ 97,359	\$ 84,507	\$ 81,082
Contributions in relation to the actuarially determined contribution	<u>(82,471)</u>	<u>(80,800)</u>	<u>(67,695)</u>	<u>(60,568)</u>	<u>(63,503)</u>	<u>(69,288)</u>	<u>(97,359)</u>	<u>(84,507)</u>	<u>(81,082)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 879,822	\$ 712,740	\$ 761,280	\$ 720,355	\$ 752,278	\$ 834,853	\$ 883,174	\$ 777,884	\$ 926,136
Contributions as a percentage of covered-employee payroll	9.37%	11.34%	8.89%	8.41%	8.44%	8.30%	11.02%	10.86%	8.75%

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 Tonkawa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Tonkawa, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Tonkawa, Oklahoma's basic financial statements and have issued our report thereon dated April 11, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

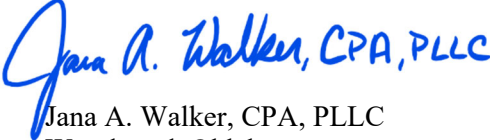
As part of obtaining reasonable assurance about whether City of Tonkawa, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-001.

## City of Tonkawa, Oklahoma's Response to Findings

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

### Purpose of This Report

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

Jana A. Walker, CPA, PLLC

Jana A. Walker, CPA, PLLC  
Woodward, Oklahoma  
April 11, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council  
City of Tonkawa, Oklahoma

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited City of Tonkawa, Oklahoma's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Tonkawa, Oklahoma's major federal programs for the year ended June 30, 2023. City of Tonkawa, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Tonkawa, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Tonkawa, Oklahoma and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Tonkawa, Oklahoma's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Tonkawa, Oklahoma's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Tonkawa, Oklahoma's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Tonkawa, Oklahoma's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Tonkawa, Oklahoma’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Tonkawa, Oklahoma’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Tonkawa, Oklahoma’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

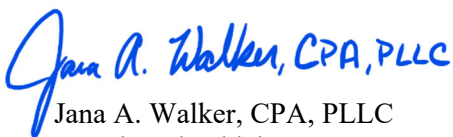
### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Jana A. Walker, CPA, PLLC  
Woodward, Oklahoma  
April 11, 2024

CITY OF TONKAWA, OKLAHOMA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Federal Expenditures
<b><u>U.S. Department of Commerce:</u></b>			
CDBG-CV3 Tonkawa CI-0020 Walking Trail	18496 CDBGCR 20	14.228	712,578
<b>Sub-total U.S. Department of Commerce</b>			712,578
<b><u>U.S. Department of Treasury:</u></b>			
<b><u>Passed through the Oklahoma Department of Treasury:</u></b>			
American Rescue Plan Act		21.027	262,704
<b>Sub-total U.S. Department of Treasury</b>			262,704
 <b>Total of Expenditures of Federal Awards</b>		 <b>\$ 975,282</b>	 <b>\$ 975,282</b>

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

**CITY OF TONKAWA, OKLAHOMA**  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2023

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**Basis of Presentation** - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Tonkawa, Oklahoma under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Tonkawa, Oklahoma, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Tonkawa, Oklahoma.

**Summary of Significant Accounting Policies** - Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Also, there were no awards passed through to sub-recipients.

**Indirect Cost Rate** - The City of Tonkawa, Oklahoma has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**City of Tonkawa, Oklahoma**  
**Schedule of Findings and Questioned Cost**  
**Year Ended June 30, 2023**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_yes      X   no

Significant deficiency(ies) identified? \_\_\_\_\_yes      X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes      X   no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_yes      X   no

Significant deficiency(ies) identified? \_\_\_\_\_yes      X   none reported

Type of auditor’s report issued on noncompliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_yes      X   no

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	CDBG-CV3 Tonkawa CI-0020 Walking Trail

Dollar threshold used to distinguish Between Type A and Type B programs: \_\_\_\_\_ \$750,000 \_\_\_\_\_

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   no

**City of Tonkawa, Oklahoma**  
**Schedule of Findings and Questioned Cost**  
**Year Ended June 30, 2023**

(Continued)

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**FINDING 2023-001 Lack of Timely Filed Audit**

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

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

Cause: Unavailable information to complete workpapers for auditor.

Effect or Potential Effect: Debt covenant violation.

Recommendation: Ensure records are available for inspection after year end in a timely manner.

Response: Management will make arrangements to have their records inspected quicker after year end to ensure the timely completion of an audit. Due to the lack of governmental auditors registered in the State of Oklahoma, it is next to impossible to schedule an audit to be complete by November 30<sup>th</sup> which is 31 days earlier than required by the State Statute.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None.

**SECTION IV – PRIOR YEAR FINDINGS**

There was no Single Audit performed in the prior year and no financial statement findings reported.

**SECTION V – CORRECTIVE ACTION PLAN**

Management will continue to work towards having documents ready for inspection in a timelier manner to complete the audit prior to the OWRB requirements.