

TOWN OF FAIRFAX, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
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BRISTOW, OKLAHOMA 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees
Town of Fairfax
Fairfax, Oklahoma

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund (except as described below), and the aggregate remaining fund information of the Town of Fairfax, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Fairfax's basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Fairfax as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

Basis for Opinion

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Town of Fairfax, Oklahoma, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified and unmodified audit opinions.

Emphasis of Matter

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement 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 Town of Fairfax'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

My 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 my opinion. 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 GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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

- 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 Town of Fairfax'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Fairfax's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Other Matters

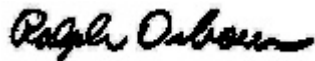
Other information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Fairfax, Oklahoma's basic financial statements. The combining and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. Such 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 my opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 25, 2024, on my consideration of Town of Fairfax's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Town of Fairfax, Oklahoma's internal control over financial reporting and compliance.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
May 2, 2024

TOWN OF FAIRFAX, OKLAHOMA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2023

	Primary Government		
	Business		
	Governmental	Type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 388,596	\$ 271,826	\$ 660,422
Investments	-	156,279	156,279
Restricted assets:			
Restricted for debt service:			
Cash and cash equivalents	-	268,049	268,049
Reserved for utility deposits:			
Cash and cash equivalents	-	11,051	11,051
Investments	-	117,000	117,000
Total current assets	<u>388,596</u>	<u>824,205</u>	<u>1,212,801</u>
Non-current assets:			
Capital assets			
Land	110,000	-	110,000
Other capital assets net of accumulated depreciation	<u>778,201</u>	<u>2,950,205</u>	<u>3,728,406</u>
Total non-current assets	<u>888,201</u>	<u>2,950,205</u>	<u>3,838,406</u>
Total assets	<u>1,276,797</u>	<u>3,774,410</u>	<u>5,051,207</u>
LIABILITIES			
Current liabilities:			
Utility deposits	-	207,767	207,767
Notes, payable, current portion	-	130,000	130,000
Total current liabilities	<u>-</u>	<u>337,767</u>	<u>337,767</u>
Non-current liabilities:			
Notes, payable, non-current portion	-	565,000	565,000
Total non-current liabilities	<u>-</u>	<u>565,000</u>	<u>565,000</u>
Total liabilities	<u>-</u>	<u>902,767</u>	<u>902,767</u>
NET POSITION			
Invested in Capital Assets, net of related debt	888,201	2,255,205	3,143,406
Restricted for debt service	-	268,049	268,049
Reserved for utility deposits	-	128,051	128,051
Unrestricted	<u>388,596</u>	<u>220,338</u>	<u>608,934</u>
Total net position	<u>\$1,276,797</u>	<u>\$2,871,643</u>	<u>\$ 4,148,440</u>

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

TOWN OF FAIRFAX, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

Function/Programs	Program Revenue				Net (Expenses) Revenue
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 279,910	\$ 4,128	\$ 175,784	\$ -	\$ (99,998)
Public safety	350,310	13,327	10,053	-	(326,930)
Street	41,050	-	-	-	(41,050)
Council	6,451	-	-	-	(6,451)
Culture and education	62,108	-	-	-	(62,108)
Parks and recreation	1,413	-	-	-	(1,413)
Cemetery	12,495	14,812	-	-	2,317
Clerk	5,541	-	-	-	(5,541)
Total governmental activities	<u>759,278</u>	<u>32,267</u>	<u>185,837</u>	<u>-</u>	<u>(541,174)</u>
Business-type activities					
General	402,175	-	-	-	(402,175)
Sewer	140,509	1,181,461	-	-	1,040,952
Sanitation	174,135	-	-	-	(174,135)
Water	185,623	-	-	-	(185,623)
Natural gas	15,090	-	-	-	(15,090)
Hospital Trust	364,783	-	-	-	(364,783)
Total business-type activities	<u>1,282,315</u>	<u>1,181,461</u>	<u>-</u>	<u>-</u>	<u>(100,854)</u>
Total primary government	<u>\$2,041,593</u>	<u>\$1,213,728</u>	<u>\$ 185,837</u>	<u>\$ -</u>	<u>\$ (642,028)</u>
Primary Government					
		Governmental Activities	Business-type Activities	Total	
Changes in net position:					
Net (expense) revenue		\$ (541,174)	\$ (100,854)	\$ (642,028)	
General revenues					
Taxes					
Sales/Use tax			380,508	-	380,508
Franchise			39,495	-	39,495
Other tax			70,222	-	70,222
Ambulance Subsidy			66,000	-	66,000
Insurance			42,100	-	42,100
Other			55,018	99,803	154,821
Interest			2,819	8,591	11,410
Transfers			(192,411)	192,411	-
Total general revenue and transfers			<u>463,751</u>	<u>300,805</u>	<u>764,556</u>
Change in net position			(77,423)	199,951	122,528
Net position - beginning			<u>1,354,220</u>	<u>2,671,692</u>	<u>4,025,912</u>
Net position - ending			<u>\$1,276,797</u>	<u>\$ 2,871,643</u>	<u>\$ 4,148,440</u>

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

TOWN OF FAIRFAX, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 307,162	\$ 81,434	\$ 388,596
TOTAL ASSETS	<u>\$ 307,162</u>	<u>\$ 81,434</u>	<u>\$ 388,596</u>
LIABILITIES AND FUND BALANCES			
FUND BALANCES			
Unrestricted	\$ 307,162	\$ 81,434	\$ 388,596
TOTAL FUND BALANCES	<u>307,162</u>	<u>81,434</u>	388,596
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 307,162</u>	<u>\$ 81,434</u>	
RECONCILIATION TO STATEMENT OF NET POSITION			
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities of \$2,135,498, net of accumulated depreciation of \$1,247,297, are not financial resources and, therefore are not reported in the funds.			<u>888,201</u>
Net position of governmental activities			<u>\$1,276,797</u>

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

TOWN OF FAIRFAX, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue			
Sales tax	\$ 315,544	\$ -	\$ 315,544
Use tax	64,964	-	64,964
Franchise tax	39,495	-	39,495
Alcoholic beverage tax	58,846	-	58,846
Cigarette tax	2,126	-	2,126
Motor vehicle tax	-	8,071	8,071
Gasoline excise tax	-	1,179	1,179
Rent	8,941	-	8,941
Cemetery	11,059	3,753	14,812
License and permits	4,128	-	4,128
Intergovernmental	121,517	64,320	185,837
Fines and forfeits	208	13,119	13,327
Pool	4,061	-	4,061
Ambulance subsidy	66,000	-	66,000
Insurance	42,100	-	42,100
Other	19,349	22,667	42,016
Interest	2,618	201	2,819
Total revenue	<u>760,956</u>	<u>113,310</u>	<u>874,266</u>
Expenditures			
Current			
General government	275,134	54,295	329,429
Public safety	333,663	1,997	335,660
Street	20,290	4,335	24,625
Culture and education	41,932	14,498	56,430
Clerk	5,541	-	5,541
Council	6,451	-	6,451
Cemetery	8,298	550	8,848
Total expenditures	<u>691,309</u>	<u>75,675</u>	<u>766,984</u>
Excess (deficiency) of revenue over expenditures	<u>69,647</u>	<u>37,635</u>	<u>107,282</u>
Other financing sources (uses)			
Transfer from other funds	18,310	-	18,310
Transfer to other funds	<u>(199,411)</u>	<u>(11,310)</u>	<u>(210,721)</u>
Total other financing sources (uses)	<u>(181,101)</u>	<u>(11,310)</u>	<u>(192,411)</u>
Net change in fund balance	(111,454)	26,325	(85,129)
Fund balances, beginning	<u>418,616</u>	<u>55,109</u>	<u>473,725</u>
Fund balances, ending	<u>\$ 307,162</u>	<u>\$ 81,434</u>	<u>\$ 388,596</u>

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

TOWN OF FAIRFAX, OKLAHOMA
STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2023

	<u>Public Works Authority</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 271,826
Investments	156,279
Restricted Assets	
Cash-Debt Service	268,049
Reserved Assets	
Cash-Meter Trust	11,051
Investments-Meter Trust	<u>117,000</u>
TOTAL CURRENT ASSETS	<u>824,205</u>
Non-Current Assets	
Capital Assets	
Capital Assets, Net of Accumulated Depreciation	<u>2,950,205</u>
TOTAL NON-CURRENT ASSETS	<u>2,950,205</u>
TOTAL ASSETS	<u>3,774,410</u>
LIABILITIES	
Current Liabilities	
Utility Deposits	207,767
Notes Payable, current	<u>130,000</u>
TOTAL CURRENT LIABILITIES	<u>337,767</u>
Non-Current Liabilities	
Notes Payable, non-current	<u>565,000</u>
TOTAL NON-CURRENT LIABILITIES	<u>565,000</u>
TOTAL LIABILITIES	<u>902,767</u>
NET POSITION	
Net Investment in Capital Assets	2,255,205
Restricted for Debt Service	268,049
Reserved for utility deposits	128,051
Unrestricted	<u>220,338</u>
Net Position of Business-Type Activities	<u>\$ 2,871,643</u>

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

TOWN OF FAIRFAX, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Public Works Authority</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Utility Collection	\$ 1,181,461
Other	99,803
TOTAL OPERATING REVENUE	<u>1,281,264</u>
<u>OPERATING EXPENSES</u>	
General	387,068
Natural gas	331,619
Water	125,749
Sewer	42,406
Sanitation	174,135
Hospital trust	15,090
Depreciation	177,830
TOTAL OPERATING EXPENSES	<u>1,253,897</u>
OPERATING INCOME (LOSS)	<u>27,367</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment Income	8,591
Interest and Fees	
on Notes and Leases Payable	<u>(28,418)</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>(19,827)</u>
Income Before Transfers	7,540
Transfer to Other Funds	(7,000)
Transfer from Other Funds	<u>199,411</u>
TOTAL TRANSFERS	<u>192,411</u>
Change in Net Position	199,951
TOTAL NET POSITION, BEGINNING	<u>2,671,692</u>
TOTAL NET POSITION, ENDING	<u>\$ 2,871,643</u>

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

TOWN OF FAIRFAX, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2023

	Public Works <u>Authority</u>
Cash Flows from Operating activities	
Cash Received from customers	\$ 1,281,264
Cash Payments to Employees	(376,054)
Cash Payments to Suppliers for Goods and Services	<u>(697,293)</u>
Net Cash Provided (Used) by Operating Activities	<u>207,917</u>
Cash Flows from Non-Capital Financing Activities	
Transfers, net	<u>192,411</u>
Net Cash Provided by Non-Capital Financing Activities	<u>192,411</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of fixed assets	(242,103)
Principal Paid on Notes Payable	(125,000)
Interest Paid on Notes Payable and Fiscal Fees	<u>(28,418)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(395,521)</u>
Cash Flows from Investing Activities	
Interest Revenue	<u>8,591</u>
Net Cash Provided by Investing Activities	<u>8,591</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	13,398
Cash and Cash Equivalents, Beginning	<u>810,807</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 824,205</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) by Operating Activities	
Operating Income (Loss)	\$ 27,367
Adjustments to Reconcile Operating Income to Net Cash:	
Depreciation	177,830
Used by Operating Activities:	
Changes in Assets and Liabilities:	
Increase/(decrease) in Utility Deposits	<u>2,720</u>
Net Cash Provided by Operating Activities	<u><u>\$ 207,917</u></u>

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

TOWN OF FAIRFAX, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Fairfax, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, public safety, public works, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria the Fairfax Public Works Authority (the Authority) is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of the Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component unit are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program 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 which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

TOWN OF FAIRFAX, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Fund Financial Statements

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item B below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

B. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

TOWN OF FAIRFAX, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements of proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds - The Town reports the following major enterprise funds:

Fairfax Public Works - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: Personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Trustees. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Board approval.

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

TOWN OF FAIRFAX, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2023 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-60

TOWN OF FAIRFAX, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The Town does not record a liability for accrued compensated absences. The amount paid for compensated absences is expensed as paid.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2023, all of the Town's deposits and investments were not either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$1,212,801 at June 30, 2023. The bank balance of the deposits at June 30, 2023 was approximately \$1,212,362.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2023.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2023, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

TOWN OF FAIRFAX, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE C - RESTRICTED AND RESERVED CASH

The Authority has reported the following as restricted and reserved cash:

Utility deposit reserved	\$ 128,051
Debt service restricted	<u>268,049</u>
Total	<u>\$ 396,100</u>

The debt reserve is held for use in retiring the outstanding notes payable.

NOTE D - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED				Capital Assets Not Depreciated
	Buildings	Infrastructure & Improvements Other Than Buildings	Furniture, Machinery, And Equipment	Totals	Land
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2022	\$ 636,688	\$ 585,832	\$ 735,543	\$ 1,958,063	\$ 110,000
Increases	-	-	67,435	67,435	-
Decreases	-	-	-	-	-
Balance, June 30, 2023	<u>636,688</u>	<u>585,832</u>	<u>802,978</u>	<u>2,025,498</u>	<u>110,000</u>
Accumulated Depreciation					
Balance, June 30, 2022	459,466	244,383	483,719	1,187,568	
Increase	11,603	15,098	33,028	59,729	
Decreases	-	-	-	-	
Balance, June 30, 2023	<u>471,069</u>	<u>259,481</u>	<u>516,747</u>	<u>1,247,297</u>	
Governmental activities Capital Assets, Net	<u>\$ 165,619</u>	<u>\$ 326,351</u>	<u>\$ 286,231</u>	<u>\$ 778,201</u>	<u>\$ 110,000</u>
Business-type activities					
Balance, June 30, 2022	\$ -	\$ 6,017,366	\$ 340,323	\$ 6,357,689	\$ -
Increases	-	231,057	11,046	242,103	-
Decreases	-	-	-	-	-
Balance, June 30, 2023	<u>-</u>	<u>6,248,423</u>	<u>351,369</u>	<u>6,599,792</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2022	-	3,277,740	194,017	3,471,757	
Increase	-	156,916	20,914	177,830	
Decreases	-	-	-	-	
Balance, June 30, 2023	<u>-</u>	<u>3,434,656</u>	<u>214,931</u>	<u>3,649,587</u>	
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 2,813,767</u>	<u>\$ 136,438</u>	<u>\$ 2,950,205</u>	<u>\$ -</u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u>\$ 165,619</u>	<u>\$ 3,140,118</u>	<u>\$ 422,669</u>	<u>\$ 3,728,406</u>	<u>\$ 110,000</u>

TOWN OF FAIRFAX, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General Government	\$ 17,916	Water	\$ 59,874
Public Safety	14,650	Sewer	69,685
Street	16,425	Natural gas	33,164
Culture and education	5,678	General	15,107
Parks and recreation	1,413		
Cemetery	3,647		

NOTE E - PROPRIETARY FUND NOTES PAYABLE

The Authority has incurred indebtedness for the expansion of system facilities and the acquisition of fixed assets for the Town and Authority. The following is a summary of note payable transactions for the year ended June 30, 2023.

	Payable at July 1, 2022	Additions/ Retirements	Balance at June 30, 2023
Water Resources Board	\$ 820,000	\$ (125,000)	\$ 695,000
	<u>\$ 820,000</u>	<u>\$ (125,000)</u>	<u>\$ 695,000</u>

A brief description of the outstanding notes payable at June 30, 2023 is set forth below:

Outstanding

Oklahoma Water Resources Board loan dated July 2, 2012,
original loan amount of \$1,820,000, interest rate of 3.59%,
final maturity September 15, 2027

\$ 695,000

\$ 695,000

The annual debt service requirement over the next five years, including principal and interest, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2024	\$ 130,000	\$ 24,137	154,137
2025	135,000	19,747	154,747
2026	140,000	15,157	155,157
2027	145,000	10,222	155,222
2028	145,000	5,111	150,111
Total	<u>\$ 695,000</u>	<u>\$ 74,374</u>	<u>\$ 769,374</u>

TOWN OF FAIRFAX, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE F - DEBT SERVICE COVERAGE

The notes payable require the Authority maintain a schedule of rates or charges for services sufficient to provide funds which together with other revenues pledged will provide net revenues available for debt service equal to at least 125% of the annual debt services requirement. The ratio for the current year is calculated as follows:

Operating income	\$ 27,367
Depreciation	177,830
Net revenue	<u>\$ 205,197</u>
Annual debt service	<u>\$ 151,918</u>
Ratio	<u>1.35 to 1</u>

NOTE G - COMPENSATED ABSENCES

The Town and Authority have not reported an amount for accrued compensated absences. Under the modified cash basis of accounting, payments for vacation and sick leave are expensed as paid.

NOTE G- PENSION OBLIGATIONS

The Town participates in two pension plans. The Oklahoma Firefighters Pension and Retirement Systems and Oklahoma Public Employees Retirement System (the System).

Oklahoma Firefighter's Pension and Retirement System

Town of Fairfax participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
City's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% of final Average salary multiplied by the years of Credited service with a maximum of 30 yrs Considered; If vested at or after age 50 Or after 10 but before 20 years of Credited service with reduced benefits.

TOWN OF FAIRFAX, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Benefits and eligibility for distribution (full time)		20 years credited service, 2 ½% of final Average salary multiplied by the years of Credited service with a maximum of 30 yrs Considered; If vested at or after age 50 Or after 10 but before 20 years of Credited service with reduced benefits.
Benefits and eligibility for distribution (Volunteer)		20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option		Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:		
Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes	Yes
Disability	Yes	Yes
Cost of living allowances	Yes	Yes

Contributions required by State Statute:

Fiscal <u>Year End</u>	Oklahoma Firefighter's Pension And Retirement System	
	Required	Percentage
	<u>Contribution</u>	<u>Contributed</u>
June 30, 2023	\$ 1,080	100%
June 30, 2022	1,280	100%
June 30, 2021	1,080	100%

Plan Description. The Town contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Section 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. Town employees are required to contribute 3.5% of earned compensation. The Town contributes 12.5% of earned compensation. The Town's contributions to the Plan for the years ending June 30, 2023, 2022 and 2021 were \$29,959, \$29,028, and \$26,856, respectively, equal to the required contributions for each year.

NOTE H - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF FAIRFAX, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE I - FEDERAL AND STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE J - SUBSEQUENT EVENTS

The Town evaluated subsequent events through May 2, 2024, the date which financial statements were available, to determine if any items need to be disclosed. The Town is not aware of any items which need disclosure.

TOWN OF FAIRFAX, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

	<u>Grant</u>	<u>Street And Alley</u>	<u>Library</u>	<u>Court</u>	<u>Volunteer Fire</u>	<u>Cemetery</u>	<u>Total Nonmajor Funds</u>
ASSETS							
Cash and cash equivalents	\$ 114	\$ 28,553	\$ 6,495	\$ 49	\$ 27,271	\$ 18,952	\$ 81,434
TOTAL ASSETS	<u>\$ 114</u>	<u>\$ 28,553</u>	<u>\$ 6,495</u>	<u>\$ 49</u>	<u>\$ 27,271</u>	<u>\$ 18,952</u>	<u>\$ 81,434</u>
LIABILITIES AND FUND BALANCES							
FUND BALANCES							
Unrestricted, reported in nonmajor special revenue funds	\$ 114	\$ 28,553	\$ 6,495	\$ 49	\$ 27,271	\$ 18,952	\$ 81,434
TOTAL FUND BALANCES	<u>114</u>	<u>28,553</u>	<u>6,495</u>	<u>49</u>	<u>27,271</u>	<u>18,952</u>	<u>81,434</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 114</u>	<u>\$ 28,553</u>	<u>\$ 6,495</u>	<u>\$ 49</u>	<u>\$ 27,271</u>	<u>\$ 18,952</u>	<u>\$ 81,434</u>

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

TOWN OF FAIRFAX, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	Grant Fund	Street And Alley	Library	Court	Volunteer Fire	Cemetery	Total Non-major Funds
REVENUES							
Motor vehicle tax	\$ -	\$ 8,071	\$ -	\$ -	\$ -	\$ -	\$ 8,071
Gasoline excise tax	-	1,179	-	-	-	-	1,179
Cemetery Lot Sales	-	-	-	-	-	3,753	3,753
Fines and forfeits	-	-	-	13,119	-	-	13,119
Intergovernmental	54,267	-	-	-	10,053	-	64,320
Other	-	8	17,765	-	4,894	-	22,667
Interest	5	103	9	-	8	76	201
TOTAL REVENUES	<u>54,272</u>	<u>9,361</u>	<u>17,774</u>	<u>13,119</u>	<u>14,955</u>	<u>3,829</u>	<u>113,310</u>
EXPENDITURES							
General	54,295	-	-	-	-	-	54,295
Culture and education	-	-	14,498	-	-	-	14,498
Street	-	4,335	-	-	-	-	4,335
Public safety	-	-	-	1,782	215	-	1,997
Cemetery	-	-	-	-	-	550	550
TOTAL EXPENDITURES	<u>54,295</u>	<u>4,335</u>	<u>14,498</u>	<u>1,782</u>	<u>215</u>	<u>550</u>	<u>75,675</u>
Excess of revenues over (under) expenditures	<u>(23)</u>	<u>5,026</u>	<u>3,276</u>	<u>11,337</u>	<u>14,740</u>	<u>3,279</u>	<u>37,635</u>
Other financing sources(uses)							
Transfers from other funds	-	-	-	-	-	-	-
Transfer to other funds	-	-	-	(11,310)	-	-	(11,310)
Net other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,310)</u>	<u>-</u>	<u>-</u>	<u>(11,310)</u>
Net change in fund balance	(23)	5,026	3,276	27	14,740	3,279	26,325
Fund balances, beginning	137	23,527	3,219	22	12,531	15,673	55,109
Fund balances - ending	<u>\$ 114</u>	<u>\$ 28,553</u>	<u>\$ 6,495</u>	<u>\$ 49</u>	<u>\$ 27,271</u>	<u>\$ 18,952</u>	<u>\$ 81,434</u>

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

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 Honorable Mayor and Members of the Board of Trustees
Town of Fairfax
Fairfax, Oklahoma

I 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 Town of Fairfax, Oklahoma, modified cash basis, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Fairfax's basic financial statements and have issued my report thereon dated May 2, 2024.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Fairfax'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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Fairfax's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Fairfax'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.

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

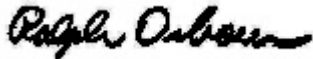
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Fairfax, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
May 2, 2024