



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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021**

**THE CITY OF OKEMAH,  
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021**

**CITY OF OKEMAH, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Okemah, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Okemah, Oklahoma (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility 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 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our 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 the City as of June 30, 2021, and the

HSPG & ASSOCIATES, PC

respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 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. Our opinions are not modified with respect to this matter.

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City's basic financial statements. The accompanying supplemental combining schedules – modified cash basis, federal and state award information, and the other information including management's discussion and analysis and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules – modified cash basis and federal and state awards information, as listed in the table of contents, were derived from and relate directly to the underlying accounting and other records used 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 our opinion, the combining schedules and federal and state awards information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Noted 1.

Management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*HSPG & Associates, P.C.*

November 3, 2021

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**MANAGEMENT DISCUSSION AND ANALYSIS**



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The management of the City of Okemah is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities for the year ended June 30, 2021. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analysis in this report must be considered within the context of the limitations of the modified cash basis of accounting.

***FINANCIAL HIGHLIGHTS***

- As reported on a modified cash basis, the City's total net position increased by \$897,640, and the assets of the City exceed its liabilities at June 30, 2021, by \$21.9 million (net position). Of this amount, \$2.1 million (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2021, the City's governmental funds reported combined ending fund balances on a modified cash basis of approximately \$2.5 million.
- At the end of fiscal year 2021, unassigned fund balance on a modified cash basis for the General Fund was \$55,071 or 2.5% of General Fund revenues.
- At the end of fiscal year 2021, unrestricted net position on a modified cash basis for the Okemah Utilities Authority was \$789,778 or 36% of OUA Fund revenues.

**About the City**

The City of Okemah is an incorporated municipality with a population of approximately 3,178 located in central Oklahoma. The City is a home rule charter form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and certain utility services including water, sewer, sanitation and economic development services.

***The City's Financial Reporting Entity***

This annual report includes all activities for which the City of Okemah City Council is fiscally responsible. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the following separate legal entities.

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- **The City of Okemah** – that operates the public safety, cemetery, streets and public works, culture and recreation, and administrative activities of the City, with such activities reported in the General Fund and various other governmental funds.
- **The Okemah Utilities Authority (OUA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, sewer and sanitation services of the City. The City of Okemah is the beneficiary of the trust and the City Council serves as the governing body of the trust. The OUA is currently reported as an enterprise fund.
- **The Okemah Economic Development Authority (OEDA)** – public trust created pursuant to 60 O.S. § 176 to provide economic development opportunities, in or near the City, with the City Council members serving as the trustees. The OEDA is currently reported as an enterprise fund.

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City’s financial reporting entity. The public trusts do not issue separate annual financial statements.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Okemah (the “City”), the Okemah Utilities Authority (the “Authority”) and the Okemah Economic Development Authority (OEDA). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type, along with fund financial statements for the City (governmental funds) and the OUA and OEDA (enterprise funds).

The government-wide financial statements present the complete financial picture of the City using the modified cash basis of accounting. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt), arising from cash transactions. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds.

### **Reporting the City as a Whole**

#### **The Statement of Net Position and the Statement of Activities**

One of the most frequently asked questions about the City’s finances is, “Has the City’s overall financial condition improved, declined or remained steady over the past year?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City’s sales tax base, the condition of the City’s roads, the quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

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

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

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

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

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

*Governmental funds* -- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

*Proprietary funds* – When the City, mainly through the Utilities Authority, charges customers for the services it provides, these services are generally reported in a type of proprietary fund known as an "enterprise fund". The City's proprietary-type enterprise funds are reported on the modified cash basis of accounting. For example, enterprise fund capital assets are capitalized and depreciated, while principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary-type enterprise funds are the Okemah Utilities Authority that accounts for the operation of the water, sewer, and sanitation activities as well as the Okemah Economic Development Authority that accounts for economic development activities.

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## Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 29-47 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Management's Discussion and Analysis, a Budgetary Comparison Schedule for the General Fund, combining financial statements and schedules and federal and state award schedules.

## A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the primary government, on a modified cash basis, assets exceeded liabilities by \$21.9 million at the close of the most recent fiscal year.

#### NET POSITION - Modified Cash Basis (In Thousands)

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>	
Current assets	\$ 2,471	\$ 2,432	2%	\$ 1,182	\$ 901	31%	\$ 3,653	\$ 3,333	10%
Capital assets, net	7,127	6,718	6%	13,851	14,250	-3%	20,978	20,968	0%
<b>Total assets</b>	<u>9,598</u>	<u>9,150</u>	5%	<u>15,033</u>	<u>15,151</u>	-1%	<u>24,631</u>	<u>24,301</u>	1%
Current liabilities	16	28	-43%	655	653	0%	671	681	-1%
Non-current liabilities	38	54	-29%	1,963	2,505	-22%	2,001	2,559	-22%
<b>Total liabilities</b>	<u>54</u>	<u>82</u>	-34%	<u>2,618</u>	<u>3,158</u>	-17%	<u>2,672</u>	<u>3,240</u>	-18%
Net position									
Net investment in capital assets	7,072	6,636	7%	11,346	11,203	1%	18,418	17,839	3%
Restricted	1,275	1,126	13%	149	151	-1%	1,424	1,277	12%
Unrestricted	1,196	1,306	-8%	920	639	44%	2,116	1,945	9%
<b>Total net position</b>	<u>\$ 9,543</u>	<u>\$ 9,068</u>	5%	<u>\$12,415</u>	<u>\$ 11,993</u>	4%	<u>\$ 21,958</u>	<u>\$ 21,061</u>	4%

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. For 2021, this net investment in capital assets, amounted to \$18.4 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A major portion of the City's net position, \$1.4 million, also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is available to meet the government's ongoing obligations to citizens and creditors.

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At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for both the governmental and business-type activities.

Explanations for the changes in excess of 20% and \$100,000 are explained below:

**Governmental Activities:**

None

**Business-Type Activities:**

Current Assets (31% increase of \$282,000) – increase in cash and cash equivalents mainly due to excess revenues over expenses

Non-current liabilities (22% decrease of \$541,000) – Mainly due to the net effect of regular debt payoff

Unrestricted Net Position (48% increase of \$298,000) – Mainly due to increase in revenues exceeding expenses

**Changes in Net Position**

For the year ended June 30, 2021, on the modified cash basis of accounting, net position of the primary government changed as follows:

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>	
<b>Revenues</b>									
Charges for service	\$ 54	\$ 51	6%	\$ 2,296	\$ 2,124	8%	\$ 2,350	\$ 2,175	8%
Operating grants and contributions	333	74	350%	-	5	-	333	79	322%
Capital grants, debt proceeds and contributions	405	37	100%	-	-	-	405	37	100%
Taxes	1,669	1,470	14%	-	-	-	1,669	1,470	14%
Intergovernmental revenue	88	78	13%	-	-	-	88	78	13%
Investment income	6	20	-70%	1	7	-86%	7	27	-74%
Miscellaneous	46	74	-38%	3	2	50%	49	76	-36%
<b>Total revenues</b>	<u>2,601</u>	<u>1,804</u>	44%	<u>2,300</u>	<u>2,138</u>	8%	<u>4,901</u>	<u>3,942</u>	24%
<b>Expenses</b>									
General government	351	364	-4%	-	-	-	351	364	-4%
Public safety	1,043	1,094	-5%	-	-	-	1,043	1,094	-5%
Streets	375	348	8%	-	-	-	375	348	8%
Cemetery	73	61	20%	-	-	-	73	61	20%
Culture and Recreation	156	160	-3%	-	-	-	156	160	-3%
Economic development	-	-	-	157	141	11%	157	141	11%
Interest on long-term debt	3	5	-40%	-	-	-	3	5	-40%
Water	-	-	-	905	941	-4%	905	941	-4%
Sewer	-	-	-	635	734	-13%	635	734	-13%
Sanitation	-	-	-	306	263	16%	306	263	16%
<b>Total expenses</b>	<u>2,001</u>	<u>2,032</u>	-2%	<u>2,003</u>	<u>2,079</u>	-4%	<u>4,004</u>	<u>4,111</u>	-3%
Excess (deficiency) before transfers and special item	600	(228)	-363%	297	59	403%	897	(169)	-631%
Transfers	(125)	(107)	17%	125	107	17%	-	-	-
<b>Change in net position</b>	<u>475</u>	<u>(335)</u>	-242%	<u>422</u>	<u>166</u>	154%	<u>897</u>	<u>(169)</u>	-631%
<b>Beginning net position</b>	<u>9,068</u>	<u>9,403</u>	-4%	<u>11,993</u>	<u>11,827</u>	1%	<u>21,061</u>	<u>21,230</u>	-1%
<b>Ending net position</b>	<u>\$ 9,543</u>	<u>\$ 9,068</u>	5%	<u>\$ 12,415</u>	<u>\$ 11,993</u>	4%	<u>\$ 21,958</u>	<u>\$ 21,061</u>	4%

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Explanations are given for individual items in excess of 20% change and in excess of \$100,000 change as follows:

**Governmental and Business-Type Activities:**

Operating grants & contributions changed 350% (or approximately \$259,000) resulting mainly from CARES Act COVID-19 Relief grant for \$224,297 and FEMA grants for \$31,250. Capital grants changed 100% (or approximately \$368,000) resulting mainly from FAA Airport Grant for \$256,260 and CDBG-19 Community Revitalization grant for \$141,000.

**Governmental Activities**

The governmental activities, on the modified cash basis of accounting, had an increase in net position of \$475,297.

**Net Revenue (Expense) of Governmental Activities**  
**(In Thousands)**

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>	
General government	\$ 351	\$ 366	-4%	(\$81)	(\$311)	-74%
Public safety	1,043	1,094	-5%	(743)	(1,044)	-29%
Streets	375	348	8%	(198)	(320)	-38%
Cemetery	73	61	20%	(47)	(46)	2%
Culture and Recreation	156	160	-3%	(136)	(146)	-7%
Interest on long-term debt	3	3	0%	(3)	(3)	0%
<b>Total</b>	<u>\$ 2,001</u>	<u>\$ 2,032</u>	-2%	<u>(\$1,208)</u>	<u>(\$1,870)</u>	-35%

**Business-type Activities**

The business-type activities, on the modified cash basis of accounting, had an increase in net position of \$422,343. In reviewing the departmental net (expense)/revenue, water and wastewater utility activity charges for services in 2021 were sufficient to cover expenses.

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

	<b>Total Expense of Services</b>		<b>% Inc. Dec.</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. Dec.</b>
	<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>	
Water	\$ 905	\$ 971	-7%	\$ 303	\$ 57	432%
Wastewater	635	743	-15%	39	(63)	-162%
Sanitation	306	255	20%	(14)	45	-131%
Economic Development	157	128	23%	(35)	(41)	-15%
<b>Total</b>	<u>\$ 2,003</u>	<u>\$ 2,097</u>	-4%	<u>\$ 293</u>	<u>\$ (2)</u>	-14750%

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**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2021 fiscal year, the governmental funds reported, on a modified cash basis of accounting, a combined fund balance of \$2.5 million or a 1.6 % increase. The OUA and OEDA enterprise funds reported, on a modified cash basis of accounting, combined net position of \$12.4 million or a 3.5% increase from 2020.

**Other fund highlights include:**

- For the year ended June 30, 2021, the General Fund's total fund balance decreased by (\$120,591) or 15.1%.
- The Capital Improvement Fund increased its Fund Balance by \$129,995 or 9.3%.

**Budgetary Highlights**

For the year ended June 30, 2021, the General Fund reported actual budgetary basis revenues over final estimates by \$338,320 or a 12.4% positive variance which was due mainly to tax revenues exceeding final estimates. General Fund actual expenditures were under final appropriations by \$129,510 or a 3.9% positive variance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2021, the City had \$21 million invested in capital assets (net of depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and park facilities. This represents a net increase of approximately \$10,000 over last year.

Capital Assets (In Thousands) (Net of accumulated depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 445	\$ 445	\$ 1,738	\$ 1,738	\$ 2,183	\$ 2,183
Buildings	737	692	5,097	4,881	5,834	5,573
Imp. other than buildings	1,111	1,181	2,475	2,541	3,586	3,722
Machinery, furniture and equipment	210	198	186	197	396	395
Infrastructure	4,433	4,102	-	-	4,433	4,102
Utility property	-	-	4,353	4,550	4,353	4,550
Construction in progress	191	100	2	343	193	443
<b>Totals</b>	<b>\$ 7,127</b>	<b>\$ 6,718</b>	<b>\$ 13,851</b>	<b>\$ 14,250</b>	<b>\$ 20,978</b>	<b>\$ 20,968</b>

This year's more significant capital asset additions include:

City Barn Roof	\$69,250
Airport Runway 18-39 Pavement Rehab	\$325,346
Quantum Building Loading Dock	\$343,487
Street Overlay	\$299,648

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See Note 3 to the financial statements for more detail information on the City's capital assets and changes therein.

**Long-Term Debt**

At year-end, the City had \$2.6 million in long-term debt outstanding which represents a \$569,758 or 18.2% decrease from the prior year. This is the result of reducing debt with normal payments of \$569,758. The City's changes in long-term debt by type of debt are as follows:

	Long-Term Debt (In Thousands)						Total Percentage Change
	Governmental Activities		Business-Type Activities		Total		
	2021	2020	2021	2020	2021	2020	
Notes payable	\$ -	\$ -	\$ 2,505	\$ 3,038	\$ 2,505	\$ 3,038	-17.5%
Capital leases	54	82	-	10	54	92	-41.3%
Totals	\$ 54	\$ 82	\$ 2,505	\$ 3,048	\$ 2,559	\$ 3,130	-18.2%

See Note 5 to the financial statements for more detail information on the City's long-term debt.

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

The following information outlines significant known factors that will affect subsequent year finances:

- The FY 2022 budget is consistent to prior years for operational expenses.
- Capital projects budgeted in FY 2022 include Animal Shelter, Airport Service Line, Airport Improvements (Hangars & Fuel Pod), 17<sup>th</sup> Street Lift Station, and 3<sup>rd</sup> Street Water main.
- The street overlay and CDBG Projects were completed during FY21 and will be closed out in FY22. The runway overlay and FAA funds were completed and closed out in FY21. The water/sewer line extension to the Airport with REAP funds is still underway in FY22. The City is currently in the engineering and developing phase for hangars at the Airport. Okemah City Hall closed to the public on March 19, 2020, due to the Coronavirus. The City conducted business online for payments and applications with email, web payments and drop box payments. The City's server was hacked for ransom on June 8, 2020. City Hall reopened for in-person operations and transactions on March 8, 2021.

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate 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 502 W. Broadway, Okemah, Oklahoma 74859-2400 or telephone at 918-623-1050.



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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

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**Statement of Net Position (Modified Cash Basis)– June 30, 2021**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,490,299	\$ 900,580	\$ 2,390,879
Investments	980,435	281,221	1,261,656
Capital Assets:			
Land and construction in progress	636,125	1,740,264	2,376,389
Other capital assets, net of depreciation	6,490,666	12,110,906	18,601,572
Total Assets	<u>9,597,525</u>	<u>15,032,971</u>	<u>24,630,496</u>
<b>LIABILITIES</b>			
Meter deposit liability	-	112,945	112,945
Long-term liabilities			
Due within one year	16,122	542,141	558,263
Due in more than one year	38,354	1,963,035	2,001,389
Total liabilities	<u>54,476</u>	<u>2,618,121</u>	<u>2,672,597</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,072,315	11,345,994	18,418,309
Restricted for:			
Debt Service	63,086	148,511	211,597
Capital projects	1,032,219	-	1,032,219
Cemetery	177,215	-	177,215
Library	2,834	-	2,834
Unrestricted	1,195,380	920,345	2,115,725
Total net position	<u>\$ 9,543,049</u>	<u>\$ 12,414,850</u>	<u>\$ 21,957,899</u>

See accompanying notes to the basic financial statements.

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**Statement of Activities (Modified Cash Basis) –Year Ended June 30, 2021**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Debt Proceeds and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 350,747	\$ 13,223	\$ -	\$ 256,260	\$ (81,264)	\$ -	\$ (81,264)
Public Safety	1,042,883	6,500	293,013	-	(743,370)	-	(743,370)
Streets	374,948	-	27,876	148,734	(198,338)	-	(198,338)
Cemetery	72,789	25,600	-	300	(46,889)	-	(46,889)
Culture and Recreation	156,552	8,291	12,196	-	(136,065)	-	(136,065)
Interest on Long-term debt	2,852	-	-	-	(2,852)	-	(2,852)
Total governmental activities	<u>2,000,771</u>	<u>53,614</u>	<u>333,085</u>	<u>405,294</u>	<u>(1,208,778)</u>	<u>-</u>	<u>(1,208,778)</u>
Business-type activities:							
Water	904,700	1,208,087	16	-	-	303,403	303,403
Wastewater	635,242	674,070	-	-	-	38,828	38,828
Sanitation	306,066	291,955	-	-	-	(14,111)	(14,111)
Economic Development	156,545	122,000	-	-	-	(34,545)	(34,545)
Administration	924	-	-	-	-	(924)	(924)
Total business-type activities	<u>2,003,477</u>	<u>2,296,112</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>292,651</u>	<u>292,651</u>
Total primary government	<u>\$ 4,004,248</u>	<u>\$ 2,349,726</u>	<u>\$ 333,101</u>	<u>\$ 405,294</u>	<u>(1,208,778)</u>	<u>292,651</u>	<u>(916,127)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					1,574,037	-	1,574,037
Franchise taxes and public service taxes					76,731	-	76,731
Hotel/motel taxes					18,194	-	18,194
Intergovernmental revenue not restricted to specific programs					87,755	-	87,755
Unrestricted investment earnings					6,108	1,340	7,448
Miscellaneous					46,601	3,001	49,602
Transfers					(125,351)	125,351	-
Total general revenues and transfers					<u>1,684,075</u>	<u>129,692</u>	<u>1,813,767</u>
Change in net position					<u>475,297</u>	<u>422,343</u>	<u>897,640</u>
Net position - beginning					<u>9,067,752</u>	<u>11,992,507</u>	<u>21,060,259</u>
Net position - ending					<u>\$ 9,543,049</u>	<u>\$ 12,414,850</u>	<u>\$ 21,957,899</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

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**Governmental Funds Balance Sheet (Modified Cash Basis)- June 30, 2021**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 624,785	\$ 722,539	\$ 142,975	\$ 1,490,299
Investments	58,659	806,733	115,043	980,435
Due from other funds	-	-	6,885	6,885
Total assets	<u>\$ 683,444</u>	<u>\$ 1,529,272</u>	<u>\$ 264,903</u>	<u>\$ 2,477,619</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 6,885	-	-	\$ 6,885
Total liabilities	<u>6,885</u>	<u>-</u>	<u>-</u>	<u>6,885</u>
 Fund balances:				
Restricted	2,834	1,032,219	240,301	1,275,354
Assigned	618,654	497,053	24,602	1,140,309
Unassigned	55,071	-	-	55,071
Total fund balances	<u>676,559</u>	<u>1,529,272</u>	<u>264,903</u>	<u>2,470,734</u>
Total liabilities and fund balances	<u>\$ 683,444</u>	<u>\$ 1,529,272</u>	<u>\$ 264,903</u>	<u>\$ 2,477,619</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances**  
**(Modified Cash Basis) – Year Ended June 30, 2021**

	<b>General Fund</b>	<b>Capital Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 1,645,584	\$ -	\$ -	\$ 1,645,584
Intergovernmental	433,398	404,994	-	838,392
Charges for services	29,202	-	6,400	35,602
Fees and fines	6,305	-	-	6,305
Licenses and permits	12,790	-	-	12,790
Investment earnings	5,053	998	57	6,108
Miscellaneous	36,032	20,306	300	56,638
Total revenues	<u>2,168,364</u>	<u>426,298</u>	<u>6,757</u>	<u>2,601,419</u>
<b>EXPENDITURES</b>				
Current:				
General government	182,571	-	-	182,571
Public Safety:				
Police	422,659	-	-	422,659
Fire	48,267	-	-	48,267
Police Dispatcher	218,509	-	-	218,509
Civil Defense	108,333	-	-	108,333
Police - COPS Grant	48,445	-	-	48,445
Animal Control	69,426	-	-	69,426
Code Enforcement	64,916	-	-	64,916
Cemetery	67,759	-	-	67,759
Streets	136,863	-	-	136,863
Culture and recreation:				
Library	110,544	-	-	110,544
Park and recreation	4,937	-	-	4,937
Swimming pool	20,884	-	-	20,884
Airport	10,876	-	-	10,876
Capital Outlay	-	1,056,371	-	1,056,371
Debt Service:				
Principal	18,001	9,607	-	27,608
Interest and other charges	2,299	553	-	2,852
Total Expenditures	<u>1,535,289</u>	<u>1,066,531</u>	<u>-</u>	<u>2,601,820</u>
Excess (deficiency) of revenues over expenditures	<u>633,075</u>	<u>(640,233)</u>	<u>6,757</u>	<u>(401)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	910,275	1,176,449	192,664	2,279,388
Transfers out	(1,663,941)	(406,221)	(169,500)	(2,239,662)
Total other financing sources and uses	<u>(753,666)</u>	<u>770,228</u>	<u>23,164</u>	<u>39,726</u>
Net change in fund balances	(120,591)	129,995	29,921	39,325
Fund balances - beginning	797,150	1,399,277	234,982	2,431,409
Fund balances - ending	<u>\$ 676,559</u>	<u>\$ 1,529,272</u>	<u>\$ 264,903</u>	<u>\$ 2,470,734</u>

See accompanying notes to the basic financial statements.

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**Reconciliation of Governmental Funds and Government-Wide Financial Statements- (Modified Cash Basis):**

Total fund balance, governmental funds	\$ 2,470,734
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
	7,126,791
Some liabilities, (Capital Leases), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
	(54,476)
Net Position of Governmental Activities	<u>\$ 9,543,049</u>
Net change in fund balances - total governmental funds:	\$ 39,325
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
Capital asset purchases capitalized	866,616
Depreciation expense	(458,252)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Principal payments on long-term debt	27,608
Change in net position of governmental activities	<u>\$ 475,297</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY-TYPE ENTERPRISE FUNDS**



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**Proprietary Funds Statement of Net Position (Modified Cash Basis) - June 30, 2021**

	<b>Enterprise Funds</b>		
	<b>Okemah Utilities Authority</b>	<b>Okemah Economic Development Authority</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 625,145	\$ 116,565	\$ 741,710
Investments	164,633	14,002	178,635
Restricted:			
Cash and cash equivalents	158,870	-	158,870
Investments	102,586	-	102,586
Total current assets	<u>1,051,234</u>	<u>130,567</u>	<u>1,181,801</u>
Non-current assets:			
Capital Assets:			
Land and construction in progress	1,522,264	218,000	1,740,264
Other capital assets, net of accumulated depreciation	9,648,671	2,462,235	12,110,906
Total non-current assets	<u>11,170,935</u>	<u>2,680,235</u>	<u>13,851,170</u>
Total assets	<u>\$ 12,222,169</u>	<u>\$ 2,810,802</u>	<u>\$ 15,032,971</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Meter deposit liability	\$ 112,945	\$ -	\$ 112,945
Current portion of:			
Notes payable	488,583	53,558	542,141
Total current liabilities	<u>601,528</u>	<u>53,558</u>	<u>655,086</u>
Non-current liabilities:			
Notes payable	1,514,412	448,623	1,963,035
Total non-current liabilities	<u>1,514,412</u>	<u>448,623</u>	<u>1,963,035</u>
Total liabilities	<u>2,115,940</u>	<u>502,181</u>	<u>2,618,121</u>
<b>NET POSITION</b>			
Net investment in capital assets	9,167,940	2,178,054	11,345,994
Restricted for debt service	148,511	-	148,511
Unrestricted	789,778	130,567	920,345
Total net position	<u>\$ 10,106,229</u>	<u>\$ 2,308,621</u>	<u>\$ 12,414,850</u>

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) - Year Ended June 30, 2021**

	<b>Enterprise Funds</b>		
	<b>Okemah Utilities Authority</b>	<b>Okemah Economic Development Authority</b>	<b>Total</b>
<b>REVENUES</b>			
Charges for services:			
Water	\$ 1,115,352	\$ -	\$ 1,115,352
Sewer	674,070	-	674,070
Sanitation	291,955	-	291,955
Penalties	17,870	-	17,870
Tap fees	2,100	-	2,100
Rents and leases	21,990	122,000	143,990
Camping fees	36,356	-	36,356
Lake permits	14,419	-	14,419
Total operating revenues	2,174,112	122,000	2,296,112
<b>OPERATING EXPENSES</b>			
Administration	308,877	-	308,877
Water treatment plant	363,427	-	363,427
Distribution and maintenance	75,872	-	75,872
Sewer collection	72,897	-	72,897
Lake	103,871	-	103,871
Wastewater treatment plant	195,261	-	195,261
Sanitation	247,642	-	247,642
Economic development	-	82,091	82,091
Depreciation	418,898	62,864	481,762
Total Operating Expenses	1,786,745	144,955	1,931,700
Operating income (loss)	387,367	(22,955)	364,412
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	1,327	13	1,340
Interest expense	(60,187)	(11,590)	(71,777)
Miscellaneous revenue	2,501	500	3,001
Operating grants and contributions	16	-	16
Total non-operating revenue (expenses)	(56,343)	(11,077)	(67,420)
Income (loss) before transfers and capital contributions	331,024	(34,032)	296,992
Capital contributions	165,077	-	165,077
Transfers in	841,379	45,000	886,379
Transfers out	(926,105)	-	(926,105)
Change in net position	411,375	10,968	422,343
Total net position - beginning	9,694,854	2,297,653	11,992,507
Total net position - ending	\$ 10,106,229	\$ 2,308,621	\$ 12,414,850

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Cash Flows (Modified Cash Basis) - Year Ended June 30, 2021**

	Enterprise Funds		Total
	Okemah Utilities Authority	Okemah Economic Development Authority	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,176,629	\$ 122,500	\$ 2,299,129
Payments to suppliers	(663,133)	(82,091)	(745,224)
Payments to employees	(704,714)	-	(704,714)
Receipts of customer meter deposits	19,944	-	19,944
Refunds of customer meter deposits	(17,836)	-	(17,836)
<b>Net cash provided by operating activities</b>	<b>810,890</b>	<b>40,409</b>	<b>851,299</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	(926,105)	45,000	(881,105)
Transfers from other funds	841,379	-	841,379
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(84,726)</b>	<b>45,000</b>	<b>(39,726)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(83,066)	-	(83,066)
Receipt of capital contribution	165,077	-	165,077
Principal paid on debt	(490,320)	(51,830)	(542,150)
Interest and fiscal agent fees paid on debt	(60,187)	(11,590)	(71,777)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(468,496)</b>	<b>(63,420)</b>	<b>(531,916)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase (sale) of investments	-	(4)	(4)
Interest and dividends	1,327	13	1,340
<b>Net cash provided by investing activities</b>	<b>1,327</b>	<b>9</b>	<b>1,336</b>
<b>Net increase in cash and cash equivalents</b>	<b>258,995</b>	<b>21,998</b>	<b>280,993</b>
<b>Balances - beginning of year</b>	<b>525,020</b>	<b>94,567</b>	<b>619,587</b>
<b>Balances - end of year</b>	<b>\$ 784,015</b>	<b>\$ 116,565</b>	<b>\$ 900,580</b>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	\$ 625,145	\$ 116,565	\$ 741,710
Restricted cash and cash equivalents - current	158,870	-	158,870
Total cash and cash equivalents, end of year	<b>\$ 784,015</b>	<b>\$ 116,565</b>	<b>\$ 900,580</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 387,367	\$ (22,955)	\$ 364,412
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	418,898	62,864	481,762
Miscellaneous revenue	2,501	500	3,001
Operating grants	16	-	16
Change in assets and liabilities:			
Deposits subject to refund	2,108	-	2,108
<b>Net cash provided by operating activities</b>	<b>\$ 810,890</b>	<b>\$ 40,409</b>	<b>\$ 851,299</b>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City's financial reporting entity includes three separate legal entities reported as the primary government. The two public trust Authorities listed below are classified as blended component unit enterprise funds because (1) the City Council serves as trustees of the Authorities; (2) all debt obligations of the Authority must be approved by 2/3rds vote of the City Council; and (3) the Authorities are managed by City management.

- **The City of Okemah** – that operates the public safety, cemetery, streets and public works, health and welfare, culture and recreation, and administrative activities.
- **The Okemah Utilities Authority** – public trust created pursuant to 60 O.S. § 176 of which the City is beneficiary that operates the water, sewer, and sanitation services of the City. The OUA has historically been accounted for in the City's reporting entity financial statements as an Enterprise Fund.
- **The Okemah Economic Development Authority (OEDA)** – public trust created pursuant to 60 O.S. § 176 of which the City is beneficiary to provide economic development opportunities, in or near the City. The OEDA has historically been accounted for in the City's reporting entity financial statements as an Enterprise Fund.

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

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

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- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

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 accrued revenue and receivables) 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.

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

- General government: License and permits and capital grants
- Public safety: Fine revenue, CARES Act grants, EMPG operating grants, and other miscellaneous grants
- Streets and highways: Gas excise and commercial vehicle taxes and CDBG Grant
- Cemetery: Cemetery lot sales and interments
- Culture and recreation: Swimming pool fees, library fines, and library operating grants
- Economic development: rents and leases
- Water, wastewater, and sanitation: utility revenues

*Governmental Funds:*

*General Fund*

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

*Special Revenue Funds*

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

*Capital Projects Funds*

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets

The City's governmental funds are comprised of the following:

**Major Funds:**

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

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- Capital Improvement Fund – (Capital Project Fund) accounts for funds designated for capital outlay and debt service on capital related debt. One cent sales tax is being transferred to this fund for capital improvements as required by voter-restriction.

**Non-Major Funds (Reported as Other Governmental Funds):**

**Special Revenue Funds:**

**Capital Project Fund:**

- Cemetery Perpetual Fund - accounts for the transfer of 25% (state law requires 12.5%) of cemetery lot sales and interment fees restricted for cemetery capital improvements.

**Debt Service Fund:**

- Sales Tax Debt Fund - accounts for a half-cent sales tax restricted for debt service as required by voter-restriction.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

*Proprietary Funds:*

The City's proprietary-type funds are comprised of the following enterprise funds:

*Okemah Utilities Authority Enterprise Fund-further split into separate enterprise accounts for internal reporting purposes as follows:*

- Okemah Utilities Authority Gross Revenue Account – accounts for the operation of the water, sewer, and sanitation activities.
- Okemah Capital Reserve Account – accounts for money set aside by council as a savings tool.
- Okemah Bond Account – accounts for the transfer of one cent sales tax restricted for debt service on OUA debt.

*Okemah Economic Development Authority Enterprise Fund:*

- Okemah Economic Development Authority Fund – accounts for activities related to promoting economic development.

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

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

#### **D. Capital Assets and Depreciation**

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund type operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$1,000 is used to report capital assets. Capital assets are reported at actual or estimated historical cost. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1996. Prior to July 1, 2000, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2000 are recorded at cost.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 40-50 years
- Improvements other than buildings 10-25 years
- Machinery, furniture and equipment 3-20 years
- Utility property and improvements 10-50 years
- Infrastructure 5-50 years

#### **E. Long-Term Debt**

Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary funds are the same in the fund statements as it is in the government-wide statements.

#### **F. Compensated Absences**

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 12.



## **G. Fund Balances and Net Position**

### *Fund Balances:*

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

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

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

Net position is displayed in three components:

- a. *Net investment in capital assets*- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

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## **H. Internal and Interfund Balances and Transfers**

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

## **I. Use of Estimates**

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

## **2. Deposits and Investments**

For the year ended June 30, 2021, the City recognized \$7,448 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2021, the primary government held the following deposits and investments:

<u>Type</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>		
Petty cash		1,320
Demand deposits		2,241,048
Time deposits - certificates of deposit, matures less than 1 year		1,261,656
<b>Investments:</b>		
Cavanal Hill Government Securities Money Market Fund	AAAm	148,511
<b>Total deposits and investments</b>		<u><u>\$ 3,652,535</u></u>
<b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 2,390,879
Investments		<u>1,261,656</u>
		<u><u>\$ 3,652,535</u></u>

### *Custody Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2021, the City's deposits were insured or collateralized and the City was not exposed to Custody Credit Risk.

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*Investment Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable. All time deposits will mature within the next 12 months.

At June 30, 2021, the City's investments with maturity dates were limited to time deposits that were not exposed to interest rate risk.

*Investment Credit Risk*

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2021, the City's investments consisted of \$148,511 of money market open-ended mutual funds invested in U.S. Treasury securities with a credit rating of AAAM as rated by Standard and Poor's.

*Concentration of Investment Credit Risk*

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

At June 30, 2021, the City had no concentration of credit risk as defined above.

*Restricted Cash and Investments* – The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of amounts restricted for debt service, or utility deposit purposes. The restricted assets as of June 30, 2021 are as follows:

	Current	
	Cash and cash equivalents	Investments
Utility Deposits	\$ 10,359	\$ 102,586
OWRB debt service	52,547	-
Series 2014 Principal Account	92,503	-
Series 2014 Interest Account	3,461	-
Total	<u>\$ 158,870</u>	<u>\$ 102,586</u>

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### 3. Capital Assets and Depreciation

#### *Capital Assets:*

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended June 30, 2021, capital assets balances changed as follows:

	Balance at July 1, 2020	Additions	Disposals	Balance at June 30, 2021
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 444,708	\$ -	\$ -	\$ 444,708
Construction in progress	100,419	715,992	624,994	191,417
Total capital assets not being depreciated	545,127	715,992	624,994	636,125
Other capital assets:				
Buildings	1,524,792	73,245	-	1,598,037
Improvements	2,012,799	-	-	2,012,799
Infrastructure	9,465,535	624,994	-	10,090,529
Machinery, furniture and equipment	2,267,387	77,379	-	2,344,766
Total other capital assets at historical cost	15,270,513	775,618	-	16,046,131
Less accumulated depreciation for:				
Buildings	832,971	28,395	-	861,366
Improvements	832,094	69,521	-	901,615
Infrastructure	5,362,780	295,290	-	5,658,070
Machinery, furniture and equipment	2,069,368	65,046	-	2,134,414
Total accumulated depreciation	9,097,213	458,252	-	9,555,465
Other capital assets, net	6,173,300	317,366	-	6,490,666
Governmental activities capital assets, net	\$ 6,718,427	\$ 1,033,358	\$ 624,994	\$ 7,126,791
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,738,000	\$ -	\$ -	\$ 1,738,000
Construction in progress	343,487	2,264	343,487	2,264
Total capital assets not being depreciated	2,081,487	2,264	343,487	1,740,264
Other capital assets:				
Buildings	8,488,319	348,387	-	8,836,706
Improvements	3,055,016	-	-	3,055,016
Machinery, furniture and equipment	1,238,876	50,993	-	1,289,869
Utility property	10,256,581	24,909	-	10,281,490
Total other capital assets at historical cost	23,038,792	424,289	-	23,463,081
Less accumulated depreciation for:				
Buildings	3,608,531	131,642	-	3,740,173
Improvements	513,817	66,481	-	580,298
Machinery, furniture and equipment	1,041,526	62,036	-	1,103,562
Utility Property Improvements	5,706,539	221,603	-	5,928,142
Total accumulated depreciation	10,870,413	481,762	-	11,352,175
Other capital assets, net	12,168,379	(57,473)	-	12,110,906
Business-type activities capital assets, net	\$ 14,249,866	\$ (55,209)	\$ 343,487	\$ 13,851,170

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

Governmental Activities:		Business-Type Activities:	
General government	157,903	Water	214,515
Public safety	40,827	Sewer	189,388
Highways and streets	236,277	Sanitation	14,995
Cemetery	4,303	Economic development	62,864
Culture and recreation	18,942		
	<u>\$ 458,252</u>		<u>\$ 481,762</u>

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#### 4. Capital Lease Receivable

The Okemah Economic Development Authority (OEDA) and Sertco Industries entered into a building lease on October 14, 2010 for a period of twenty years. The monthly lease payments are \$2,083 but may be waived if Sertco fills a certain number of permanent positions within a specified time period. For fiscal year 2021, these permanent positions were filled and, therefore, no monthly lease payments were made by Sertco. Sertco may exercise the right to purchase the property at any time during the lease for the unamortized portion of a \$500,000 CDBG grant used to construct and purchase the property. The lease began when the CDBG grant was closed during the June 30, 2017 fiscal year. OEDA has recorded the building as an asset.

The Okemah Economic Development Authority (OEDA) along with Okfuskee County Industrial Authority as tenants in common and Platinum Core and Tube, Inc. entered into a building lease on May 1, 2015 for a period of sixty months. In July 2017, the lease was assigned from Platinum Core and Tube, Inc. to Caraustar Industrial and Consumer Products Group, Inc. and in August 2018 the lease was amended. The amended building lease covers the period of May 1, 2015 to April 30, 2025, which is a period of one hundred twenty months. The monthly lease payments are \$13,000 until the lessors complete construction of a loading dock and enclosure in the building. After completion of this project, the monthly lease payments will then be \$15,000. As of June 30, 2020, the project was complete with the first new lease payment deferred to July 2020. Also, the monthly lease payments will be reduced \$5,000 if the tenant employs at least 14 full time employees. For fiscal year 2021, OEDA received \$10,000 each month in lease payments since Caraustar employed at least 14 full time employees. Caraustar may exercise the right to purchase the property for \$1,400,000 at any time during the lease.

#### 5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2021, the City reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 01, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital lease payable	\$ 82,084	\$ -	\$ (27,608)	\$ 54,476	\$ 16,122
Total Governmental Activities	<u>\$ 82,084</u>	<u>\$ -</u>	<u>\$ (27,608)</u>	<u>\$ 54,476</u>	<u>\$ 16,122</u>
<b>Business-Type Activities:</b>					
Notes payable from direct borrowings and direct placements	\$ 3,037,520	\$ -	\$ (532,344)	\$ 2,505,176	542,141
Capital lease payable	9,806	-	(9,806)	-	-
Total Business-Type Activities	<u>\$ 3,047,326</u>	<u>\$ -</u>	<u>\$ (542,150)</u>	<u>\$ 2,505,176</u>	<u>\$ 542,141</u>
Total Long-Term Debt	<u>\$ 3,129,410</u>	<u>\$ -</u>	<u>\$ (569,758)</u>	<u>\$ 2,559,652</u>	<u>\$ 558,263</u>
<b>Reconciliation to Statement of Net Position:</b>					
<b>Governmental Activities:</b>					
Due within one year				\$ 16,122	
Due in more than one year				38,354	
Total Governmental Activities Long-term liabilities				<u>\$ 54,476</u>	
<b>Business-Type Activities:</b>					
Due within one year				542,141	
Due in more than one year				1,963,035	
Total Business-Type Activities Long-term liabilities				<u>\$ 2,505,176</u>	

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*Governmental activities* long-term debt payable from the Capital Improvement Fund includes:

*Capital Lease Payable:*

\$53,900 lease obligation with BancFirst for purchase of a Mack dump truck, dated September 2019, payable in monthly installments of \$681 with an annual interest rate of 4.75%, final payment due October 2027. 44,514

\$28,857 lease obligation with Oklahoma State Bank for purchase of fire equipment, dated June 2019, payable in monthly installments of \$847 with an annual interest rate of 3.64%, final payment due June 2022. 9,962

Total Capital Leases Payable	\$	54,476
Current portion	\$	16,122
Noncurrent portion		38,354
Total Capital Leases Payable	\$	54,476

*Business-type activities* long-term debt payable from net revenues generated by the utility resources pledged to the debt include the following:

*Okemah Utilities Authority:*

*Notes Payable (direct borrowings/direct placement):*

2014 Utility System and Sales Tax Revenue Note, original amount of \$1,820,000, dated September 1, 2014, by Okemah Utilities Authority, secured by and payable from utility revenues and pledged sales tax as well as a mortgage on the water and sanitary sewer systems; the collateral is issued on a parity with the 2011 OWRB Promissory Note Payable; interest rate at 2.45%, with final payment due October 1, 2022. In the event of default on the OWRB loans, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the indenture; 5) foreclose the mortgage, lien and security interest. 565,000

2011 Promissory Note payable to Oklahoma Water Resources Board, original amount of \$2,565,000 dated June 24, 2011, secured by and payable from utility revenues and pledged sales tax as well as a mortgage on the water and sanitary sewer systems and facilities, interest rate of 2.72%, with final payment due March 15, 2032. In the event of default on the OWRB loans, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement; 5) increase the interest rate to 14% on the defaulted payments. 1,437,995

Total Notes Payable	\$	2,002,995
Current portion		488,583
Noncurrent portion		1,514,412
Total Notes Payable	\$	2,002,995

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***Okemah Economic Development Authority:***

Long-term debt commitments payable from net revenues generated by rental revenues and sales tax pledged to OEDA, and their outstanding balances at June 30, 2021, includes the following:

*Notes Payable (direct borrowings/direct placements):*

Oklahoma Department of Commerce note dated November 2, 1999 (and amended May 15, 2005), by Okemah Economic Development Authority, authorized amount of \$400,000, payable in monthly installments of \$833, including principal with a 0% interest rate, with final payment due May 15, 2045 secured by and payable from rental agreements between the OEDA and Quantum Industries and 1/2 cent sales tax. The note does not have any other collateral. In the event of default, the lender may demand that all liabilities and obligations to the lender would be due and payable immediately, cease extending credit to OEDA, and exercise all rights and remedies possessed by lender. Also, at the lender's discretion, the note interest rate may be increased to 6% in the event of default.

\$ 239,231

BancFirst note dated November 11, 2019 by Okemah Economic Development Authority, authorized amount of \$324,411, payable in monthly installments of \$4,452, with an interest rate of 4% and final payment due December 2026; in the event of default, 1) the interest rate shall be increased to 21%, however not exceeding legal maximum interest rate limitations; 2) borrower will be responsible for lender's legal expenses and court costs; 3) all indebtedness will become immediately due and payable. There is no collateral for the note.

262,950

Total Notes Payable	<u>\$ 502,181</u>
Current portion	53,558
Noncurrent portion	448,623
Total Notes Payable	<u>\$ 502,181</u>

Long-term debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Capital Leases Payable</u>		<u>Notes Payable From</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Direct Borrowings and</u>	<u>Direct Placements</u>
			<u>Principal</u>	<u>Interest</u>
2022	16,122	2,206	542,141	58,325
2023	6,464	1,706	362,095	46,123
2024	6,778	1,391	177,109	38,782
2025	7,116	1,054	182,491	33,400
2026-2030	17,996	1,068	797,384	95,082
2031-2035	-	-	344,669	10,251
2036-2040	-	-	49,980	-
2041-2045	-	-	49,307	-
Totals	<u>\$ 54,476</u>	<u>\$ 7,425</u>	<u>\$ 2,505,176</u>	<u>\$ 281,963</u>

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**6. Net Position and Fund Balances**

Net position is displayed in three components:

- a. *Net investment in capital assets*- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

**Fund Balance:**

The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet:

	General Fund	Major Capital Project Fund Capital Improvement	Other Governmental Funds	TOTAL
Fund Balances:				
Restricted for:				
Capital projects	\$ -	1,032,219	\$ -	\$ 1,032,219
Debt service	-	-	63,086	63,086
Library operations	2,834	-	-	2,834
Cemetery capital	-	-	177,215	177,215
Sub-total Restricted	2,834	1,032,219	240,301	1,275,354
Assigned to:				
Capital projects	-	497,053	-	497,053
Cemetery capital and operations	-	-	24,598	24,598
Sales tax debt fund	-	-	4	4
Use of fund balance for subsequent budget	618,654	-	-	618,654
Sub-total Assigned	618,654	497,053	24,602	1,140,309
Unassigned:	55,071	-	-	55,071
<b>TOTAL FUND BALANCES</b>	<b>\$ 676,559</b>	<b>\$ 1,529,272</b>	<b>\$ 264,903</b>	<b>\$ 2,470,734</b>

**7. Sales Tax Revenue**

Sales tax revenue represents a 3.5 cent local tax on each dollar of taxable sales within the City. One cent is voter-restricted for debt service on OUA debt (per ordinance 99-02-01), 1 cent is voter-restricted for capital improvements and/or job growth if needed (per ordinance 99-02-01), and ½ cent voter-restricted for economic development (per ordinance 99-03-01). Ordinance 99-03-01 terminated December 31, 2019. Voters subsequently approved ½ cent sales tax to be used for debt service effective March 1, 2020 and terminates December 31, 2039. Three and a half cents of the sales tax is received and recorded in the General Fund, with 2 ½ cents transferred to the appropriate funds as noted above.



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**Pledge of Future Revenues**

*Sales Tax Pledge-* The City has pledged 2.5 cents (or 71.4%) of future sales tax revenues to repay \$4,385,000 of 2011 Series Oklahoma Water Resources Board Notes Payable and 2014 Taxable Revenue Notes Payable. Proceeds from the bonds and notes provided financing for the utility system capital assets. The bonds are payable through 2032 and 2022, respectively. The total principal and interest payable for the remainder of the life of these notes is \$2,256,074. Total pledged sales tax for the year was \$963,339. Debt service payments of \$540,622 for the current fiscal year were 56.12% of the pledged sales taxes.

*Sales Tax Pledge* – The OEDA has pledged 0.5 cents (or 14.29%) of future sales tax revenues to repay \$400,000 of an Amended CDBG Note Payable. Proceeds from the note was used for roadway improvements and construction of a publicly owned building to support the start-up of Quantum Construction Technologies, Inc. The note is payable through 2045. The total principal and interest payable for the remainder of the life of the note is \$239,231. Total pledged sales tax for the year was \$192,664. Debt service payments of \$9,996 for the current fiscal year were 5.19% of the pledged sales taxes.

*Utility Net Revenue Pledge-* The City has also pledged future water and sewer net revenues to repay \$4,385,000 of 2011 Series Oklahoma Water Resources Board Notes Payable and 2014 Utility System and Sales Tax Revenue Note. Proceeds from the bonds and notes provided financing for the utility system capital assets. The bonds are payable through 2032 and 2022, respectively. The total principal and interest payable for the remainder of the life of these notes is \$2,256,074. The bonds are payable from the above-mentioned utility net revenues. The debt service payments on the notes this year were \$540,622 which was 49.96% of pledged net utility revenues of \$1,081,965. Additional debt service payments paid with sales tax in previous note.

**8. Property Tax Levy**

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

**9. Internal and Interfund Balances and Transfers**

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

*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2021 were as follows:

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<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	OUA Enterprise Fund	\$ 385,328	Sales tax transfer
General Fund	Capital Improvement Fund	385,328	Sales tax transfer
General Fund	Sales Tax Debt Fund	192,664	Sales tax transfer
General Fund	OEDA Enterprise Fund	45,000	Sales tax transfer
General Fund	Capital Improvement Fund	500,621	Transfer savings & CD
General Fund	Capital Improvement Fund	200,000	Capital
Sales Tax Debt Fund	Capital Improvement Fund	42,600	Debt Service
Sales Tax Debt Fund	OUA Enterprise Fund	58,000	Debt Service
Cemetery Care Fund	Capital Improvement Fund	23,900	Capital outlay
OUA Enterprise Fund	General Fund	452,605	Operating
OUA Enterprise Fund	General Fund	449,500	Debt service
OUA Enterprise Fund	Capital Improvement Fund	24,000	Capital outlay
Capital Improvement Fund	OUA Enterprise Fund	398,051	Debt service
Capital Improvement Fund	General Fund	8,170	Debt service
Total		<u>\$ 3,165,767</u>	

**Reconciliation to Fund Financial Statements and Government-Wide Statement of Activities:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,279,388	\$ (2,239,662)	\$ 39,726
Proprietary Funds	886,379	(926,105)	(39,726)
	<u>\$ 3,165,767</u>	<u>\$ (3,165,767)</u>	<u>-</u>

**Reconciliation to Statement of Activities:**

Net Transfers	39,726
Transfer of business-type activity from governmental activities	(165,077)
Transfers - internal activity	<u>\$ (125,351)</u>

**Balances:**

Interfund receivable and payables at June 30, 2021 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Cemetery Perpetual Fund	6,885	Cemetery revenue
Total		<u>\$ 6,885</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 6,885	\$ (6,885)	\$ -
Proprietary Funds	-	-	-
Total	<u>\$ 6,885</u>	<u>\$ (6,885)</u>	<u>\$ -</u>

## 10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

## **11. Pension Plan Participation**

The City of Okemah participates in three pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF-DBP) – an agent multiple-employer defined benefit plan
3. Oklahoma Municipal Retirement Fund Defined Contribution Plan (OMRF-DCP) – an agent multiple-employer defined contribution plan

### *Firefighter Pension System:*

*Plan Summary Information.* The City of Okemah, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 6601 N. Broadway Extension, Suite 100, Oklahoma City, OK 73116.

*Funding Policy.* OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The City is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2019	\$840	\$840
2020	\$900	\$900
2021	\$960	\$960

### *OMRF Defined Benefit Plan:*

The City contributes to the City of Okemah Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan, for all eligible employees except for those covered by the Firefighter Pension System. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. JP Morgan of Oklahoma City acts as administrator and securities custodian.

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**1. Eligibility Factors, Contribution Methods and Benefit Provisions**

<b>Provision</b>	<b>OMRF Plan</b>
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	7.80% of covered payroll
-Employee Rate	3.75% of earnings
c. Period Required to Vest	7 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 7 years of service - Early retirement at age 55 with 7 years of service - Disability retirement with 7 years of service - Marital death benefit with 7 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
-Normal Retirement	1.875% of final average salary multiplied by credited years of service
-Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
-Disability Retirement	Same as normal retirement
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
-Prior to 7 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

**2. Actuarial Assumptions**

<u>Date of Last Actuarial Valuation</u>	<u>July 1, 2020</u>
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments	7.25%
c. Projected Salary Increase	Rates by Age
d. Post Retirement Cost-of-Living Increase	None
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase
f. Mortality	UP 1994 Group Annuity Mortality
g. Asset Valuation Method	Actuarial method

For the year ended June 30, 2021, the City's employer contribution to the plan was \$94,468 which was 8.63% of covered payroll--more than the actuarially required contribution. The OMRF contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2019	\$104,468	\$110,484
2020	\$105,624	\$107,492
2021	\$ 85,382	\$ 94,468

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

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*OMRF Defined Contribution Plan:*

The City has also provided a defined contribution plan and trust known as the City of Okemah Plan and Trust (the “Plan”) in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by Bank One of Oklahoma City. The defined contribution plan is available to the City Manager. Benefits depend solely on amounts contributed to the plan plus investment earnings. The City Manager is eligible to participate upon employment, and is required to make contributions to the plan at 7.75%. Under the thrift option, the employee may contribute to the plan at varying rates. The City’s contributions, if any are made, (and interest allocated to the employee’s account) are vested at a rate of 100% upon participation. The authority to establish and amend the provisions of the plan rests with the City Council. For the year ended June 30, 2021, the City contributions were \$1,196 to the plan, which was 3.25% of covered payroll.

## **12. Commitments and Contingencies**

*Compensated Absences:*

As a result of the City’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2021, is summarized as follows:

- General Fund and OUA Enterprise Fund – accrued compensated absences \$143,894

*Outstanding Construction Contracts:*

The City had the following outstanding construction contract commitments at June 30, 2021:

<u>Contractor/Project</u>	<u>Contract Amount</u>	<u>Remaining Balance</u>
A.O. Inc.	\$253,993	\$201,532
Wall Engineering	29,130	9,960
A.C.E. Construction	7,449	2,980
Total	<u>\$290,572</u>	<u>\$214,472</u>

*Litigation:*

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City “Sinking Fund” for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City’s public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

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*Federal and State Award Programs:*

The City of Okemah participates in various federal or state grant/loan programs from year to year. In 2021, the City's involvement in federal and state award programs was not significant. 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. The City has resolved findings from a recent monitoring visit from the Oklahoma Department of Commerce.

*Other Contingencies:*

The novel coronavirus ("COVID-19"), which was declared a global health emergency in January 2020 and a pandemic in March 2020, has caused significant changes in political and economic conditions around the world, including disruptions and volatility in the global capital markets. In response, the State of Oklahoma and local municipalities have taken various preventative or protective actions, such as imposing restrictions on business operations and advising or requiring individuals to limit or forgo their time outside of their homes. The City's management has considered the economic implications of the COVID-19 pandemic at June 30, 2021.

The extent to which the COVID-19 pandemic may impact the City will depend on future developments which are uncertain, such as the duration of the outbreak, additional governmental mandates issued to mitigate the spread of the disease, business closures, economic disruptions, and the effectiveness of actions taken to contain and treat the virus. Accordingly, the COVID-19 pandemic may have a negative impact on the City's future operations, the size and duration of which is difficult to predict. The City's management will continue to actively monitor the situation and may take further actions altering operations that the City's management determines are in the best interests of its employees and stakeholders, or as required by federal, state, or local authorities.

### **13. Subsequent Events**

A contract was entered into between OEDA and The Truck Shop, LLC, on October 1, 2020, for the sale of a real estate plat located in Okfuskee County, Oklahoma for a sales price of \$150,000. The buyer paid \$500 upon execution of the contract and the balance of the purchase price or \$149,500 is due and payable at closing. The closing date was extended, but the sale has not closed as of June 30, 2021 due to issues with the abstract and zoning. The City believes the sale will still go through as of the date of this report. An occupancy agreement was entered into between OEDA and the buyer dated October 1, 2020 for the property, stating that the date of occupancy by the buyer shall be the 15<sup>th</sup> day of December, 2020. The occupancy agreement stipulates that the buyer must vacate the property upon notice by the OEDA if the closing date did not occur by November 16, 2020, as stated in the contract. The OEDA has not given the buyer notice to vacate the property as of the date of this report.

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**OTHER SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule – General Fund (Budgetary Basis) – Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 334,142	\$ 334,142	\$ 797,150	\$ 463,008
<b>Resources (Inflows):</b>				
Taxes	1,234,000	1,324,000	1,645,584	321,584
Intergovernmental	131,500	256,500	410,020	153,520
Charges for services	14,000	14,000	29,232	15,232
Fines and forfeitures	2,500	2,500	6,305	3,805
Licenses and permits	8,350	8,350	12,790	4,440
Investment income	2,500	2,500	5,048	2,548
Miscellaneous	70,500	70,500	57,691	(12,809)
Transfers in	949,500	1,049,500	899,500	(150,000)
<b>Total resources (Inflows)</b>	<u>2,412,850</u>	<u>2,727,850</u>	<u>3,066,170</u>	<u>338,320</u>
<b>Amounts available for appropriation</b>	<u>2,746,992</u>	<u>3,061,992</u>	<u>3,863,320</u>	<u>801,328</u>
<b>Charges to Appropriations (Outflows):</b>				
General government	201,789	201,789	183,628	18,161
Police	536,805	462,805	425,724	37,081
Fire	50,145	50,145	48,696	1,449
Police Dispatcher	223,027	223,027	218,410	4,617
Streets	148,387	148,387	135,312	13,075
Animal Control	67,838	69,838	69,336	502
Cemetery	56,549	68,549	67,874	675
Parks and Recreation	7,060	7,060	4,768	2,292
Library	103,365	111,365	109,602	1,763
Code Enforcement	107,641	95,641	65,132	30,509
Civil Defense	88,714	113,714	108,424	5,290
Police - Cops in School	50,436	50,436	48,445	1,991
Swimming Pool	22,265	22,265	20,999	1,266
Airport	2,335	12,335	10,876	1,459
Transfers Out	828,700	1,673,321	1,663,941	9,380
<b>Total Charges to Appropriations</b>	<u>2,495,056</u>	<u>3,310,677</u>	<u>3,181,167</u>	<u>129,510</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 251,936</u>	<u>\$ (248,685)</u>	<u>\$ 682,153</u>	<u>\$ 930,838</u>



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**Footnotes to Budgetary Comparison Schedule:**

1. The budgetary comparison schedule is reported on the modified cash basis of accounting.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require City Manager's approval, while supplemental appropriations require City Council approval.
3. Reconciliation of the budgetary basis to modified cash basis is as follows:

<b>Total Resources (Inflows) Per Budgetary Comparison Schedule</b>	\$ 3,066,170
Transfer debt service payments from other funds	10,775
Adjustments booked by City	(25)
Debt service payments on phone system	1,719
Adjusted Total Resources	<u>3,078,639</u>
<b>Total Resources (Inflows) Per Statement of Revenues, Expenditures and Changes in Fund Balance:</b>	
Total Revenues	2,168,364
Transfer In	910,275
<b>Total Resources (Inflows) Per Statement of Revenues, Expenditures</b>	<u>3,078,639</u>
<b>Charges to Appropriations (Outflows) Per Budgetary Comparison Schedule:</b>	3,181,167
Correct prior year adjustments	5,560
Adjustments booked by City	9
Debt service payments on phone system	4,324
Debt service payments on Mack Truck	8,170
Adjusted Total Charges to Appropriations	<u>3,199,230</u>
<b>Total Expenditures and Transfers Per Statement of Revenues, Expenditures</b>	
Total Expenditures	1,535,289
Transfers Out	1,663,941
	<u>\$ 3,199,230</u>

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**Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2021**

	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	
	<u>Cemetery Perpetual Fund</u>	<u>Sales Tax Debt Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 79,885	\$ 63,090	\$ 142,975
Investments	115,043	-	115,043
Due from other funds	6,885	-	6,885
Total assets	<u>201,813</u>	<u>63,090</u>	<u>264,903</u>
<b>FUND BALANCES:</b>			
Restricted	177,215	63,086	240,301
Assigned	24,598	4	24,602
Total fund balances	<u>201,813</u>	<u>63,090</u>	<u>264,903</u>
Total fund balances	<u>\$ 201,813</u>	<u>\$ 63,090</u>	<u>\$ 264,903</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – For the Year Ended June 30, 2021**

	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	
	<u>Cemetery Perpetual Fund</u>	<u>Sales Tax Debt Fund</u>	<u>Total-Other Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	6,400	-	6,400
Fines and forfeitures	-	-	-
Investment earnings	53	4	57
Miscellaneous	300	-	300
Total revenues	<u>6,753</u>	<u>4</u>	<u>6,757</u>
<b>EXPENDITURES</b>			
Current:			
Library	-	-	-
Capital Outlay	-	-	-
Debt Service	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>6,753</u>	<u>4</u>	<u>6,757</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	192,664	192,664
Transfers out	(23,900)	(145,600)	(169,500)
Total other financing sources and uses	<u>(23,900)</u>	<u>47,064</u>	<u>23,164</u>
Net change in fund balances	(17,147)	47,068	29,921
Fund balances - beginning	218,960	16,022	234,982
Fund balances - ending	<u>\$ 201,813</u>	<u>\$ 63,090</u>	<u>\$ 264,903</u>

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**Schedule of Federal Awards Expended (Modified Cash Basis)– Year Ended June 30, 2021**

<b>Federal Grantor/Pass through agency Grantor/Program Title</b>	<b>Federal AL Number</b>	<b>Pass Thru Grant #</b>	<b>Award Amount</b>	<b>Contract Expenditures</b>
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Federal Aviation Administration:				
Airport Improvement Program	20.106	3-40-0069-006-2019	\$ 300,000	\$ 256,260
CARES Act Airport Grant	20.106	3-40-0069-007-2020	1,000	1,000
Total AL 20.106			<u>\$ 301,000</u>	<u>\$ 257,260</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Oklahoma Department of Emergency Management:				
Emergency Management CARES	97.042	OK CARES PPE REIMB	\$ 13,888	\$ 13,783
Emergency Performance Grant	97.042	EMPG 20	25,000	18,750
Emergency Performance Grant	97.042	EMPG 21	25,000	12,500
Total AL 97.042			<u>\$ 63,888</u>	<u>\$ 45,033</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Oklahoma Department of Commerce:				
CDBG-19 Community Revitalization	14.228	17770 CDBG 19	<u>\$ 149,460</u>	<u>\$ 141,000</u>
<u>U.S. DEPARTMENT OF TREASURY:</u>				
CARES Act-Covid 19 Relief	21.019	N/A	<u>\$ 224,297</u>	<u>\$ 224,297</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><b>\$ 738,645</b></u>	<u><b>\$ 667,590</b></u>

**Footnotes to Federal Awards Schedules:**

1. The Schedule of Expenditures of Federal Awards is prepared on a modified cash basis. This may differ from the measurement of awards expended as defined in the Uniform Guidance.

**Schedule of State Awards (Modified Cash Basis) – Year Ended June 30, 2021**

<b>State Grantor/Pass through agency Grantor/Program Title</b>	<b>Pass Thru Grant #</b>	<b>Award Amount</b>	<b>Contract Expenditures</b>
<b>STATE AWARDS:</b>			
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>			
State Aid 2020	N/A	\$ 7,639	\$ 1,698
State Aid 2021	N/A	7,481	7,374
Library CARES Act	N/A	4,715	4,715
Total Oklahoma Dept of Libraries		<u>\$ 19,835</u>	<u>\$ 13,787</u>
<u>OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY:</u>			
LEPC Grant	N/A	<u>\$ 2,000</u>	<u>\$ 2,000</u>
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Grant FY21 Operating	N/A	\$ 4,826	\$ 4,826
Rural Fire Grant 80/20 Reimbursement Grant	N/A	6,037	6,037
Total Oklahoma Dept of Agriculture		<u>\$ 10,863</u>	<u>\$ 10,863</u>
<u>CENTRAL OKLAHOMA ECONOMIC DEVELOPMENT DISTRICT:</u>			
Rural Economic Action Plan	19-20 REAP	<u>\$ 50,000</u>	<u>\$ 14,517</u>
<b>TOTAL STATE AWARDS</b>		<u><b>\$ 82,698</b></u>	<u><b>\$ 41,167</b></u>

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**INTERNAL CONTROL AND COMPLIANCE INFORMATION**

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

To the Honorable Mayor and Members of the City Council  
City of Okemah, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Okemah, Oklahoma (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 3, 2021. Our report included an emphasis-of-a-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2021-001, that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City's Response to Finding**

The City's response to the finding identified in our audit is described in the schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**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.

*HSPG & Associates, P.C.*

November 3, 2021

**CITY OF OKEMAH, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2021**

**Finding 2021-001 Segregation of Duties**

**Criteria:** Controls should properly segregate duties so that a single employee does not have access to both the physical asset and the related accounting records or to all phases of a transaction.

**Condition:** Controls were not always adequately segregated to prevent employees from having incompatible duties.

**Cause:** Due to the City's small staff size, certain duties are performed by personnel that would often be segregated to other personnel were a larger staff size available.

**Effect:** Unauthorized transactions may occur and not be detected due to employees performing incompatible duties.

**Recommendation:** Management should remain aware of the risk of any incompatible duties and attempt to compensate for that risk with increased oversight to the extent feasible.

**Views of Responsive Officials of Auditee:** Management has implemented additional review procedures for collection of payments and additional review for any rate changes and adjustments in the utility billing system to help with the segregation of duties. A separate individual reviews the daily utility report that shows all activities (payments, voids, adjustments) that were posted to a customer account in conjunction with the daily payments received reports to ensure payments were posted properly and any changes made to a customer account were valid. A separate individual was hired in FY 2022 to post cash receipts to customer accounts. The City Manager will review and sign off on all adjustments and bank statements.