

City of



**OKEMAH
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**

**THE CITY OF OKEMAH,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

TABLE OF CONTENTS

	Page
Independent Auditors' Report on Financial Statements	5-7
Other Information – Management's Discussion and Analysis:	
Management's Discussion and Analysis	9-17
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net position (Modified Cash Basis).....	19
Statement of Activities (Modified Cash Basis).....	20
Governmental Funds Financial Statements:	
Balance Sheet (Modified Cash Basis).....	22
Statement of Revenues, Expenditures, and Changes in Fund Balances (Modified Cash Basis).....	23
Reconciliation of Governmental Fund and Government-Wide Financial Statements.....	24
Proprietary Funds Financial Statements:	
Enterprise Funds:	
Statement of Net Position (Modified Cash Basis).....	26
Statement of Revenues, Expenditures, and Changes in Net position (Modified Cash Basis)	27
Statement of Cash Flows (Modified Cash Basis).....	28
Footnotes to the Basic Financial Statements	29-47
Other Supplementary Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule (Budgetary Basis) – General Fund.....	49
Footnotes to Budgetary Comparison Schedules.....	49-50
Nonmajor Governmental Funds Combining Statements	
Combining Balance Sheet (Modified Cash Basis).....	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis).....	51

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

TABLE OF CONTENTS

Single Audit and Internal Control and Compliance Information

Independent Auditors' Report on Internal Control and Compliance Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	53-54
Independent Auditors' Report on Compliance for Each Major Program and on Reporting and on Compliance and Other Matters Based on an Audit of Financial Internal Control Over Compliance Required by Uniform Guidance.....	55-57
Schedule of Expenditures of Federal Awards.....	59
Footnotes to the Schedule of Expenditures of Federal Awards.....	60
Schedule of Findings.....	61-63



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2025, and the 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 for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for 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.

HSPG & ASSOCIATES, PC

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining schedules – modified cash basis as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2026, 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.

March 25, 2026

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

MANAGEMENT DISCUSSION AND ANALYSIS

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

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, 2025. 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 \$6,698,943, and the assets of the City exceed its liabilities at June 30, 2025, by \$31.4 million (net position). Of this amount, \$3.8 million (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2025, the City's governmental funds reported combined ending fund balances on a modified cash basis of approximately \$3.1 million.
- At the end of fiscal year 2025, unassigned fund balance on a modified cash basis for the General Fund was \$62,963 or 2.6% of General Fund revenues.
- At the end of fiscal year 2025, unrestricted net position on a modified cash basis for the Okemah Utilities Authority was \$1,960,086 or 56% of OUA Fund revenues.

About the City

The City of Okemah is an incorporated municipality with a population of approximately 3,066 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.

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

- **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, and 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.

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.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

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 31-48 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 a Schedule of Expenditures of Federal Awards.

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 \$31.4 million at the close of the most recent fiscal year.

NET POSITION - Modified Cash Basis (In Thousands)

	<u>Governmental Activities</u>		<u>% Inc. (Dec.)</u>	<u>Business-Type Activities</u>		<u>% Inc. (Dec.)</u>	<u>Total</u>		<u>% Inc. (Dec.)</u>
	<u>2025</u>	<u>2024</u>		<u>2025</u>	<u>2024</u>		<u>2025</u>	<u>2024</u>	
Current assets	\$ 3,112	\$ 3,079	1%	\$ 21,171	\$ 23,717	-11%	\$ 24,283	\$ 26,796	-9%
Capital assets, net	7,995	6,910	16%	24,722	14,906	66%	32,717	21,816	50%
Total assets	11,107	9,989	11%	45,893	38,623	19%	57,000	48,612	17%
Current liabilities	8	7	14%	655	604	8%	663	611	9%
Non-current liabilities	10	18	-44%	24,878	23,234	7%	24,888	23,252	7%
Total liabilities	18	25	-28%	25,533	23,838	7%	25,551	23,863	7%
Net position									
Net investment in capital assets	7,977	6,885	16%	16,488	12,254	35%	24,465	19,139	28%
Restricted	1,520	1,603	-5%	1,669	508	229%	3,189	2,111	51%
Unrestricted	1,592	1,476	8%	2,203	2,023	9%	3,795	3,499	8%
Total net position	\$ 11,089	\$ 9,964	11%	\$ 20,360	\$ 14,785	38%	\$ 31,449	\$ 24,749	27%

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 2025, this net investment in capital assets, amounted to \$24.5 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, \$3.2 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.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

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:

Business-Type Activities:

Capital assets, net (66% increase of \$9,816,000) – increase mainly due to addition of construction in progress for the water treatment plant project

Net Investment in Capital Assets (35% increase of \$4,234,000) – increase mainly due to addition of construction in progress for water treatment plant project

Restricted Net Position (229% increase of \$1,161,000) – increase mainly due to restriction of project earnings fund for water treatment plant project for future debt service payments

Changes in Net Position

For the year ended June 30, 2025, on the modified cash basis of accounting, net position of the primary government changed as follows:

CHANGES IN NET POSITION - Modified Cash Basis (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2025	2024		2025	2024		2025	2024	
Revenues									
Charges for service	\$ 230	\$ 113	104%	\$ 3,619	\$ 3,529	3%	\$ 3,849	\$ 3,642	6%
Operating grants and contributions	85	103	-17%	-	2	-100%	85	105	-19%
Capital grants and contributions	1,068	185	477%	4,445	244	1722%	5,513	429	1185%
Taxes	1,886	1,835	3%	-	-	-	1,886	1,835	3%
Franchise taxes and public service taxes	101	97	4%	-	-	-	101	97	4%
Hotel/motel taxes	24	23	4%	-	-	-	24	23	4%
Intergovernmental revenue	83	82	1%	-	-	-	83	82	1%
Unrestricted investment earnings	91	107	-15%	1,051	1,129	-7%	1,142	1,236	-8%
Miscellaneous	116	210	-45%	33	58	-43%	149	268	-44%
Total revenues	3,684	2,755	34%	9,148	4,962	84%	12,832	7,717	66%
Expenses									
General government	437	391	12%	-	-	-	437	391	12%
Public safety	1,370	1,251	10%	-	-	-	1,370	1,251	10%
Streets	403	425	-5%	-	-	-	403	425	-5%
Cemetery	87	98	-11%	-	-	-	87	98	-11%
Culture and Recreation	204	200	2%	-	-	-	204	200	2%
Media Center	49	17	188%	-	-	-	49	17	-
Economic development	-	-	0%	205	136	51%	205	136	51%
Interest on long-term debt	1	1	0%	-	-	-	1	1	0%
Water	-	-	0%	1,994	1,810	10%	1,994	1,810	10%
Sewer	-	-	0%	704	690	2%	704	690	2%
Sanitation	-	-	0%	678	634	7%	678	634	7%
Total expenses	2,551	2,383	7%	3,581	3,270	10%	6,132	5,653	8%
Excess (deficiency) before transfers	1,133	372	205%	5,567	1,692	229%	6,700	2,064	225%
Transfers	(8)	(281)	-97%	8	281	-97%	-	-	-
Change in net position	1,125	91	1136%	5,575	1,973	183%	6,700	2,064	225%
Beginning net position	9,964	9,873	1%	14,785	12,812	15%	24,749	22,685	9%
Ending net position	\$ 11,089	\$ 9,964	11%	\$ 20,360	\$ 14,785	38%	\$ 31,449	\$ 24,749	27%

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

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:

Governmental charges for services increased 104% or \$117,000 due to dispatch services provided to Okfuskee County. Governmental capital grants increased 477% or \$883,000 due primarily to an Airport Improvement Grant. Governmental Transfers decreased by (97%) or \$273,000 due to a decrease in transfers to business-type funds.

Business capital grants increased 1,722% or \$4,201,000 due to an IHS Sanitation Facilities grant of \$3,469,315, and ARPA funding through the Oklahoma Water Resources Board of \$799,994. Business water expenses increased 51% or \$184,000 due to increase in debt service payments. Business transfers decreased by 97% or \$273,000 due to a decrease in transfers from governmental funds.

Governmental Activities

The governmental activities, on the modified cash basis of accounting, had an increase in net position of \$1,124,074.

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2025</u>	<u>2024</u>		<u>2025</u>	<u>2024</u>	
	General government	\$ 437	\$ 391	12%	\$ (300)	\$ (367)
Public safety	1,370	1,251	10%	(266)	(922)	-71%
Streets	403	425	-5%	(303)	(425)	-29%
Cemetery	87	98	-11%	(66)	(79)	-16%
Culture and Recreation	204	200	2%	(186)	(171)	9%
Media Center	49	17	188%	(48)	(16)	200%
Interest on long-term debt	1	1	0%	(1)	(1)	0%
Total	<u>\$ 2,551</u>	<u>\$ 2,383</u>	7%	<u>(\$1,170)</u>	<u>(\$1,981)</u>	-41%

Business-type Activities

The business-type activities, on the modified cash basis of accounting, had an increase in net position of \$5,574,869. In reviewing the departmental net (expense)/revenue, sanitation activity and economic development activity charges for services in 2025 were insufficient to cover expenses.

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2025</u>	<u>2024</u>		<u>2025</u>	<u>2024</u>	
	Water	\$ 1,994	\$ 1,810	10%	\$ 4,280	\$ 321
Wastewater	704	690	2%	318	184	73%
Sanitation	678	634	7%	(30)	16	-288%
Economic Development	205	136	51%	(85)	(16)	431%
Total	<u>\$ 3,581</u>	<u>\$ 3,270</u>	10%	<u>\$ 4,483</u>	<u>\$ 505</u>	788%

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

A FINANCIAL ANALYSIS OF THE CITY’S FUNDS

As the City completed its 2025 fiscal year, the governmental funds reported, on a modified cash basis of accounting, a combined fund balance of \$3.1 million or a 1.06% increase. The OUA and OEDA enterprise funds reported, on a modified cash basis of accounting, combined net position of \$20.4 million or a 37.71% increase from 2024.

Other fund highlights include:

- For the year ended June 30, 2025, the General Fund’s total fund balance increased by \$71,148 or 8.30%.
- The Capital Improvement Fund decreased its fund balance by \$85,460 or (5.57%).
- The ARPA Fund was reduced to zero by ARPA-related expenditures during fiscal year 2025.

Budgetary Highlights

For the year ended June 30, 2025, the General Fund reported actual budgetary basis revenues over final estimates by \$487,213 or a 18.1% positive variance which was due mainly to tax revenues exceeding final estimates. General Fund actual expenditures were under final appropriations by \$189,391 or a 5.7% positive variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2025, the City had \$32.7 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 \$10,901,000 over last year.

	Capital Assets					
	(In Thousands)					
	(Net of accumulated depreciation)					
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Land	\$ 445	\$ 445	\$ 1,739	\$ 1,727	\$ 2,184	\$ 2,172
Buildings	1,085	1,066	4,636	4,738	5,721	5,804
Imp. other than buildings	867	914	2,282	2,308	3,149	3,222
Machinery, furniture and equipment	254	202	158	153	412	355
Infrastructure	4,512	3,750	-	-	4,512	3,750
Utility property	-	-	4,212	3,718	4,212	3,718
Construction in progress	832	533	11,695	2,262	12,527	2,795
Totals	\$ 7,995	\$ 6,910	\$ 24,722	\$ 14,906	\$ 32,717	\$ 21,816

This year’s more significant capital asset additions include:

Street Overlay Project	\$284,200
Airport Hangar CIP	596,755
Airport Apron & Taxilane Project	539,669
Water Treatment Plant CIP	10,207,169

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

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 \$23.4 million in long-term debt outstanding which represents approximately a \$1,685,000 or 7.8% increase from the prior year. This is the result of issuing new debt during fiscal year 2025 with the Oklahoma Water Resources Board. 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		
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	
Notes payable	\$ 18	\$ 25	\$ 23,386	\$ 21,694	\$ 23,404	\$ 21,719	7.8%
Totals	\$ 18	\$ 25	\$ 23,386	\$ 21,694	\$ 23,404	\$ 21,719	7.8%

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 2026 budget is consistent to prior years for operational expenses.
- Capital projects budgeted in FY2026 include continuation of the construction on the new water treatment plant, completion of the new hangar project at the airport, and repairing the wastewater plant and flow equalization basins.
- In August of 2025, the City’s first qualifying business subject to the Tax Increment District created through ordinance no. 2024-5 opened. Revenues and expenses related to the District will begin during FY26.

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.

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

Statement of Net Position (Modified Cash Basis)– June 30, 2025

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,126,387	\$ 20,865,122	\$ 22,991,509
Investments	1,007,783	284,147	1,291,930
Internal Balances	(22,000)	22,000	-
Land and construction in progress	1,276,497	13,433,744	14,710,241
Other capital assets, net of depreciation	6,718,337	11,288,181	18,006,518
Total Assets	<u>11,107,004</u>	<u>45,893,194</u>	<u>57,000,198</u>
LIABILITIES			
Meter deposit liability	-	102,370	102,370
Due to other governments	471	-	471
Due within one year	7,466	552,948	560,414
Due in more than one year	10,530	24,877,772	24,888,302
Total liabilities	<u>18,467</u>	<u>25,533,090</u>	<u>25,551,557</u>
NET POSITION			
Net investment in capital assets	7,976,838	16,488,156	24,464,994
Restricted for:			
Debt Service	464,869	1,668,733	2,133,602
Capital projects	840,285	-	840,285
Cemetery	195,844	-	195,844
Library	18,599	-	18,599
Unrestricted	1,592,102	2,203,215	3,795,317
Total net position	<u>\$ 11,088,537</u>	<u>\$ 20,360,104</u>	<u>\$ 31,448,641</u>

See accompanying notes to the basic financial statements.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

Statement of Activities (Modified Cash Basis) –Year Ended June 30, 2025

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 437,036	\$ 25,217	\$ -	\$ 112,186	\$ (299,633)	\$ -	\$ (299,633)
Public Safety	1,369,830	177,541	70,755	855,388	(266,146)	-	(266,146)
Streets	403,279	-	-	100,000	(303,279)	-	(303,279)
Cemetery	87,406	21,885	-	-	(65,521)	-	(65,521)
Culture and Recreation	204,324	4,253	14,251	-	(185,820)	-	(185,820)
Media Center	48,683	1,090	-	-	(47,593)	-	(47,593)
Interest on Long-term debt	1,054	-	-	-	(1,054)	-	(1,054)
Total governmental activities	2,551,612	229,986	85,006	1,067,574	(1,169,046)	-	(1,169,046)
Business-type activities:							
Water	1,994,476	1,829,446	-	4,444,652	-	4,279,622	4,279,622
Wastewater	703,885	1,021,712	-	-	-	317,827	317,827
Sanitation	677,891	647,588	-	-	-	(30,303)	(30,303)
Economic Development	204,515	120,000	-	-	-	(84,515)	(84,515)
Total business-type activities	3,580,767	3,618,746	-	4,444,652	-	4,482,631	4,482,631
Total primary government	\$ 6,132,379	\$ 3,848,732	\$ 85,006	\$ 5,512,226	(1,169,046)	4,482,631	3,313,585
General revenues:							
Taxes:							
Sales and use taxes					1,886,005	-	1,886,005
Franchise taxes and public service taxes					101,133	-	101,133
Hotel/motel taxes					23,969	-	23,969
Intergovernmental revenue not restricted to specific programs					82,953	-	82,953
Unrestricted investment earnings					91,361	1,050,808	1,142,169
Miscellaneous					115,612	33,517	149,129
Transfers					(7,913)	7,913	-
Total general revenues and transfers					2,293,120	1,092,238	3,385,358
Change in net position					1,124,074	5,574,869	6,698,943
Net position - beginning					9,964,463	14,785,235	24,749,698
Net position - ending					\$ 11,088,537	\$ 20,360,104	\$ 31,448,641

See accompanying notes to the basic financial statements.

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

Governmental Funds Balance Sheet (Modified Cash Basis)- June 30, 2025

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 870,628	\$ 648,759	\$ 607,000	\$ 2,126,387
Investments	58,944	833,117	115,722	1,007,783
Due from other funds	10,017	-	11,030	21,047
Total assets	<u>\$ 939,589</u>	<u>\$ 1,481,876</u>	<u>\$ 733,752</u>	<u>\$ 3,155,217</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 11,030	\$ 32,017	\$ -	\$ 43,047
Payable to other governments	471	-	-	471
Total liabilities	<u>11,501</u>	<u>32,017</u>	<u>-</u>	<u>43,518</u>
 Fund balances:				
Restricted	18,599	840,285	660,713	1,519,597
Assigned	846,526	609,574	73,039	1,529,139
Unassigned	62,963	-	-	62,963
Total fund balances	<u>928,088</u>	<u>1,449,859</u>	<u>733,752</u>	<u>3,111,699</u>
Total liabilities and fund balances	<u>\$ 939,589</u>	<u>\$ 1,481,876</u>	<u>\$ 733,752</u>	<u>\$ 3,155,217</u>

See accompanying notes to the basic financial statements.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2025

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,011,107	\$ -	\$ -	\$ 2,011,107
Intergovernmental	134,368	5,512,226	-	5,646,594
Charges for services	32,289	-	5,471	37,760
Fees and fines	24,734	-	-	24,734
Licenses and permits	25,022	-	-	25,022
Investment earnings	35,675	32,083	23,603	91,361
Miscellaneous	169,790	121,883	-	291,673
Total revenues	<u>2,432,985</u>	<u>5,666,192</u>	<u>29,074</u>	<u>8,128,251</u>
EXPENDITURES				
Current:				
General government	218,037	1,283	-	219,320
Public Safety:				
Police	688,991	-	-	688,991
Fire	42,824	4,998	-	47,822
Police Dispatcher	287,689	-	-	287,689
Civil Defense	55,339	-	-	55,339
Police - Cops in School	36,649	-	-	36,649
Animal Control	60,999	-	-	60,999
Code Enforcement	110,064	-	-	110,064
Cemetery	79,156	-	-	79,156
Streets	166,251	-	-	166,251
Culture and recreation:				
Library	87,024	-	-	87,024
Park and recreation	53,431	-	-	53,431
Swimming pool	17,289	-	-	17,289
Airport	2,620	-	-	2,620
Media Center	45,893	-	-	45,893
Capital Outlay	1,355	12,111,377	-	12,112,732
Debt Service:				
Principal	-	-	7,116	7,116
Interest and other charges	-	-	1,784	1,784
Total Expenditures	<u>1,953,611</u>	<u>12,117,658</u>	<u>8,900</u>	<u>14,080,169</u>
Excess (deficiency) of revenues over expenditures	<u>479,374</u>	<u>(6,451,466)</u>	<u>20,174</u>	<u>(5,951,918)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	750,000	6,614,172	239,786	7,603,958
Transfers out	<u>(1,158,226)</u>	<u>(248,166)</u>	<u>(213,007)</u>	<u>(1,619,399)</u>
Total other financing sources and uses	<u>(408,226)</u>	<u>6,366,006</u>	<u>26,779</u>	<u>5,984,559</u>
Net change in fund balances	71,148	(85,460)	46,953	32,641
Fund balances - beginning	856,940	1,535,319	686,799	3,079,058
Fund balances - ending	<u>\$ 928,088</u>	<u>\$ 1,449,859</u>	<u>\$ 733,752</u>	<u>\$ 3,111,699</u>

See accompanying notes to the basic financial statements.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

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

Total fund balance, governmental funds	\$	3,111,699
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.		
		7,994,834
Some liabilities, (Notes Payable), 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.		
		(17,996)
Net Position of Governmental Activities	<u>\$</u>	<u>11,088,537</u>
Net change in fund balances - total governmental funds:	\$	32,641
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		1,567,884
Depreciation expense		(483,567)
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		7,116
Change in net position of governmental activities	<u>\$</u>	<u>1,124,074</u>

See accompanying notes to the basic financial statements.

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

BASIC FINANCIAL STATEMENTS – PROPRIETARY-TYPE ENTERPRISE FUNDS

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

Proprietary Funds Statement of Net Position (Modified Cash Basis) - June 30, 2025

	Enterprise Funds		Total
	Okemah Utilities Authority	Nonmajor Enterprise Fund Okemah Economic Development Authority	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,771,802	\$ 227,636	\$ 1,999,438
Investments	166,059	15,493	181,552
Restricted:			
Cash and cash equivalents	18,865,684	-	18,865,684
Investments	102,595	-	102,595
Due from other funds	22,000	-	22,000
Total current assets	<u>20,928,140</u>	<u>243,129</u>	<u>21,171,269</u>
Non-current assets:			
Capital Assets:			
Land and construction in progress	13,220,230	213,514	13,433,744
Other capital assets, net of accumulated depreciation	9,076,512	2,211,669	11,288,181
Total non-current assets	<u>22,296,742</u>	<u>2,425,183</u>	<u>24,721,925</u>
Total assets	<u>43,224,882</u>	<u>2,668,312</u>	<u>45,893,194</u>
LIABILITIES			
Current Liabilities:			
Meter deposit liability	102,370	-	102,370
Current portion of:			
Notes payable	491,732	61,216	552,948
Total current liabilities	<u>594,102</u>	<u>61,216</u>	<u>655,318</u>
Non-current liabilities:			
Notes payable	24,662,124	215,648	24,877,772
Total non-current liabilities	<u>24,662,124</u>	<u>215,648</u>	<u>24,877,772</u>
Total liabilities	<u>25,256,226</u>	<u>276,864</u>	<u>25,533,090</u>
NET POSITION			
Net investment in capital assets	14,339,837	2,148,319	16,488,156
Restricted for debt service	1,668,733	-	1,668,733
Unrestricted	1,960,086	243,129	2,203,215
Total net position	<u>\$ 17,968,656</u>	<u>\$ 2,391,448</u>	<u>\$ 20,360,104</u>

See accompanying notes to the basic financial statements.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) - Year Ended June 30, 2025

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Okemah Utilities Authority</u>	<u>Nonmajor Enterprise Fund Okemah Economic Development Authority</u>	
REVENUES			
Charges for services:			
Water	\$ 1,730,494	\$ -	\$ 1,730,494
Sewer	1,021,712	-	1,021,712
Sanitation	647,588	-	647,588
Penalties	29,702	-	29,702
Tap fees	2,750	-	2,750
Rents and leases	17,073	120,000	137,073
Camping fees	28,400	-	28,400
Lake permits	21,027	-	21,027
Total operating revenues	<u>3,498,746</u>	<u>120,000</u>	<u>3,618,746</u>
OPERATING EXPENSES			
Administration	323,599	-	323,599
Water treatment plant	579,978	-	579,978
Distribution and maintenance	169,848	-	169,848
Sewer collection	87,931	-	87,931
Lake	105,420	-	105,420
Wastewater treatment plant	237,227	-	237,227
Sanitation	603,861	-	603,861
Economic development	-	137,842	137,842
Depreciation	480,270	62,437	542,707
Total Operating Expenses	<u>2,588,134</u>	<u>200,279</u>	<u>2,788,413</u>
Operating income (loss)	<u>910,612</u>	<u>(80,279)</u>	<u>830,333</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	1,038,947	11,861	1,050,808
Interest expense	(788,190)	(4,236)	(792,426)
Miscellaneous revenue	18,670	1,669	20,339
Gain on Sale of Capital Assets	13,250	-	13,250
Total non-operating revenue (expenses)	<u>282,677</u>	<u>9,294</u>	<u>291,971</u>
Income (loss) before transfers and capital contributions	1,193,289	(70,985)	1,122,304
Capital contributions	10,437,124	-	10,437,124
Transfers in	1,063,301	-	1,063,301
Transfers out	(7,047,860)	-	(7,047,860)
Change in net position	5,645,854	(70,985)	5,574,869
Total net position - beginning	12,322,802	2,462,433	14,785,235
Total net position - ending	<u>\$ 17,968,656</u>	<u>\$ 2,391,448</u>	<u>\$ 20,360,104</u>

See accompanying notes to the basic financial statements.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

Proprietary Funds Statement of Cash Flows (Modified Cash Basis) - Year Ended June 30, 2025

	Enterprise Funds		Total
	Okemah Utilities Authority	Nonmajor Enterprise Fund Okemah Economic Development Authority	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,517,416	\$ 121,669	\$ 3,639,085
Payments to suppliers	(1,349,025)	(137,842)	(1,486,867)
Payments to employees	(666,998)	-	(666,998)
Receipts of customer meter deposits	22,629	-	22,629
Refunds of customer meter deposits	(16,630)	-	(16,630)
Net cash provided by (used in) operating activities	<u>1,507,392</u>	<u>(16,173)</u>	<u>1,491,219</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(7,047,860)	-	(7,047,860)
Transfers/payment from other funds	1,041,301	-	1,041,301
Net cash provided by (used in) noncapital financing activities	<u>(6,006,559)</u>	<u>-</u>	<u>(6,006,559)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(15,303)	(7,000)	(22,303)
Proceeds from sale of capital assets	22,000	-	22,000
Proceeds from debt	2,200,000	-	2,200,000
Principal paid on debt	(448,307)	(59,184)	(507,491)
Interest and fiscal agent fees paid on debt	(791,340)	(4,236)	(795,576)
Net cash provided by (used in) capital and related financing activities	<u>967,050</u>	<u>(70,420)</u>	<u>896,630</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(7,650)	(714)	(8,364)
Interest and dividends	1,038,947	11,861	1,050,808
Net cash provided by (used in) investing activities	<u>1,031,297</u>	<u>11,147</u>	<u>1,042,444</u>
Net decrease in cash and cash equivalents	(2,500,820)	(75,446)	(2,576,266)
Balances - beginning of year	23,138,306	303,082	23,441,388
Balances - end of year	<u>\$ 20,637,486</u>	<u>\$ 227,636</u>	<u>\$ 20,865,122</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 1,771,802	\$ 227,636	\$ 1,999,438
Restricted cash and cash equivalents - current	18,865,684	-	18,865,684
Total cash and cash equivalents, end of year	<u>\$ 20,637,486</u>	<u>\$ 227,636</u>	<u>\$ 20,865,122</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 910,612	\$ (80,279)	\$ 830,333
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	480,270	62,437	542,707
Miscellaneous revenue	18,670	1,669	20,339
Operating expenses paid by governmental fund	91,841	-	91,841
Change in assets and liabilities:			
Deposits subject to refund	5,999	-	5,999
Net cash provided by (used in) operating activities	<u>\$ 1,507,392</u>	<u>\$ (16,173)</u>	<u>\$ 1,491,219</u>
Noncash activities:			
Contributed capital assets including expensed capital outlay in Governmental funds	\$ 10,437,124	\$ -	10,437,124
	<u>\$ 10,437,124</u>	<u>\$ -</u>	<u>\$ 10,437,124</u>

See accompanying notes to the basic financial statements.

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

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:

- capital assets and the depreciation of those assets, where applicable
- long-term debt

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

- 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, EMPG operating grants, and other miscellaneous grants
- Streets and highways: Gas excise and commercial vehicle taxes and CDBG Grants
- Cemetery: Cemetery lot sales and interments
- Culture and recreation: Swimming pool fees, library fines, and library operating grants
- Economic development: rents
- Water, wastewater, and sanitation: utility revenues and capital grants

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.
- 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 Fund:

- ARPA Fund – accounts for all activities for ARPA grant revenues and expenditures.

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:

- Okemah Utilities Authority Fund – accounts for the operation of the water, sewer, and sanitation activities.

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. 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.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

G. 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, 2025, the City recognized \$1,142,169 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 deposits and money market funds.

At June 30, 2025, the primary government held the following deposits and investments:

Type	Credit Rating	Carrying Value
Deposits:		
Petty cash		\$ 1,527
Demand deposits		4,124,298
Time deposits - certificates of deposit, matures less than 1 year		1,291,930
Investments:		
Cavalan Hill Government Securities Money Market Fund	AAAm	18,865,684
Total deposits and investments		\$ 24,283,439
Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 22,991,509
Investments		1,291,930
		\$ 24,283,439

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, 2025, the City’s deposits were insured or collateralized in aggregate and the City was not exposed to Custody Credit Risk.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

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, 2025, 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.

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, 2025, 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, 2025 are as follows:

	Current	
	Cash and cash equivalents	Investments
Utility Deposits	\$ -	\$ 102,595
OWRB Debt Service	56,471	-
Series 2022 Project	17,169,052	-
Series 2022 Project Earnings	1,104,038	
Series 2022 Debt Service	461,988	-
Series 2024 Project	27,899	-
Series 2024 Debt Service	46,236	
Total	\$ 18,865,684	\$ 102,595

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

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.

For the year ended June 30, 2025, capital assets balances changed as follows:

	Balance at July 1, 2024	Additions	Disposals	Balance at June 30, 2025
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 444,708	\$ -	\$ -	\$ 444,708
Construction in progress	533,096	1,420,624	1,121,931	831,789
Total capital assets not being depreciated	<u>977,804</u>	<u>1,420,624</u>	<u>1,121,931</u>	<u>1,276,497</u>
Other capital assets:				
Buildings	2,017,942	59,172	-	2,077,114
Improvements	2,024,632	22,764	-	2,047,396
Infrastructure	10,317,155	1,054,607	-	11,371,762
Machinery, furniture and equipment	2,425,347	132,648	-	2,557,995
Total other capital assets at historical cost	<u>16,785,076</u>	<u>1,269,191</u>	<u>-</u>	<u>18,054,267</u>
Less accumulated depreciation for:				
Buildings	952,248	39,866	-	992,114
Improvements	1,110,140	69,764	-	1,179,904
Infrastructure	6,566,694	292,736	-	6,859,430
Machinery, furniture and equipment	2,223,281	81,201	-	2,304,482
Total accumulated depreciation	<u>10,852,363</u>	<u>483,567</u>	<u>-</u>	<u>11,335,930</u>
Other capital assets, net	<u>5,932,713</u>	<u>785,624</u>	<u>-</u>	<u>6,718,337</u>
Governmental activities capital assets, net	<u>\$ 6,910,517</u>	<u>\$ 2,206,248</u>	<u>\$ 1,121,931</u>	<u>\$ 7,994,834</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,726,514	\$ 12,000	\$ -	\$ 1,738,514
Construction in progress	2,262,076	10,251,729	818,575	11,695,230
Total capital assets not being depreciated	<u>3,988,590</u>	<u>10,263,729</u>	<u>818,575</u>	<u>13,433,744</u>
Other capital assets:				
Buildings	8,874,548	34,212	-	8,908,760
Improvements	3,092,986	44,560	-	3,137,546
Machinery, furniture and equipment	1,276,884	69,645	21,000	1,325,529
Utility property	10,281,490	774,015	-	11,055,505
Total other capital assets at historical cost	<u>23,525,908</u>	<u>922,432</u>	<u>21,000</u>	<u>24,427,340</u>
Less accumulated depreciation for:				
Buildings	4,136,433	135,377	-	4,271,810
Improvements	784,855	70,237	-	855,092
Machinery, furniture and equipment	1,123,639	56,162	12,250	1,167,551
Utility Property Improvements	6,563,775	280,931	-	6,844,706
Total accumulated depreciation	<u>12,608,702</u>	<u>542,707</u>	<u>12,250</u>	<u>13,139,159</u>
Other capital assets, net	<u>10,917,206</u>	<u>379,725</u>	<u>8,750</u>	<u>11,288,181</u>
Business-type activities capital assets, net	<u>\$ 14,905,796</u>	<u>\$ 10,643,454</u>	<u>\$ 827,325</u>	<u>\$ 24,721,925</u>

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

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	\$ 193,338	Water	\$ 291,782
Public safety	48,837	Sewer	173,879
Highways and streets	207,549	Sanitation	14,609
Cemetery	4,000	Economic developmen	62,437
Culture and recreation	29,843		
	<u>\$ 483,567</u>		<u>\$ 542,707</u>

4. Note Receivable

OEDA and Sertco Industries entered into a building note receivable on October 14, 2010 for a period of twenty years. The monthly note payments are \$2,083 but may be waived if Sertco fills a certain number of permanent positions within a specified time period. In the fiscal year 2024, these permanent positions were filled and, therefore, no monthly note payments were made by Sertco in fiscal year 2025. Sertco may exercise the right to purchase the property at any time during the note for the unamortized portion of a \$500,000 CDBG grant used to construct and purchase the property. The note began when the CDBG grant was closed during the June 30, 2017 fiscal year. OEDA has recorded the building as an asset. Due to the use of the modified cash basis of accounting, no long term note receivable is recorded.

OEDA along with Okfuskee County Industrial Authority as tenants in common and Platinum Core and Tube, Inc. entered into a building note receivable on May 1, 2015 for a period of sixty months. In July 2017, the note was assigned from Platinum Core and Tube, Inc. to Caraustar Industrial and Consumer Products Group, Inc. and in August 2018 the note was amended. The amended building note covers the period of May 1, 2015 to April 30, 2025, which is a period of one hundred twenty months. The note was amended again in April of 2025, adjusting the term of the note as May 1, 2015 to December 31, 2026, a period of one hundred forty months. The monthly note payments are \$13,000 until the tenant completes construction of a loading dock and enclosure in the building. After completion of this project, the monthly note payments will then be \$15,000. As of June 30, 2020, the project was complete with the first new note payment deferred to July 2020. Also, the monthly note payments will be reduced \$5,000 if the tenant employs at least 14 full time employees. For fiscal year 2025, OEDA received \$10,000 each month in note 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 note.

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2025, the City's long-term debt changed as follows:

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

<u>Type of Debt</u>	<u>Balance July 01, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes payable from direct borrowings	\$ 25,112	\$ -	\$ (7,116)	\$ 17,996	\$ 7,466
Total Governmental Activities	<u>\$ 25,112</u>	<u>\$ -</u>	<u>\$ (7,116)</u>	<u>\$ 17,996</u>	<u>\$ 7,466</u>
Business-Type Activities:					
Notes payable from direct borrowings and direct placements	\$ 21,693,831	\$ 2,200,000	\$ (507,491)	\$ 23,386,340	\$ 552,948
Total Business-Type Activities	<u>\$ 21,693,831</u>	<u>\$ 2,200,000</u>	<u>\$ (507,491)</u>	<u>23,386,340</u>	<u>\$ 552,948</u>
Unamortized bond premium				<u>2,044,380</u>	
Net long term debt				<u>\$ 25,430,720</u>	
 Total Long-Term Debt	 <u>\$ 21,718,943</u>	 <u>\$ 2,200,000</u>	 <u>\$ (514,607)</u>	 <u>\$ 23,404,336</u>	 <u>\$ 560,414</u>
Reconciliation to Statement of Net Position:					
Governmental Activities:					
Due within one year				\$ 7,466	
Due in more than one year				<u>10,530</u>	
Total Governmental Activities Long-term liabilities				<u>\$ 17,996</u>	
Business-Type Activities:					
Due within one year				\$ 552,948	
Due in more than one year				<u>22,833,392</u>	
Total Business-Type Activities Long-term liabilities				<u>\$ 23,386,340</u>	

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

Notes Payable – Direct borrowings:

\$53,900 note 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, with the equipment pledged as collateral. In the event of default, the lender may declare all payments due or to become due to be immediately due; may enter the premises and disable the equipment; may take possession of any or all of the equipment by giving written notice and charge the City for costs incurred in repossessing the equipment, including reasonable attorneys' fees. If the lender terminates the agreement and takes possession and disposes of the equipment, the lender shall apply the proceeds of any such disposition to pay the following items in the following order: all costs incurred in securing possession of the equipment; all expenses incurred in completing the disposition; any sales or transfer taxes; the balance of any payments owed by the City during the original or renewal term then in effect; any disposition proceeds remaining shall be paid to the lender. The lender may take whatever action at law or in equity may appear necessary or desirable to enforce its rights as the owner of the equipment, and the City shall pay the reasonable attorney's fees and expenses incurred by the lender in enforcing any remedy hereunder.

	<u>\$ 17,996</u>
Total Notes Payable	<u>\$ 17,996</u>
Current portion	\$ 7,466
Noncurrent portion	<u>10,530</u>
Total Notes Payable - Direct borrowings	<u>\$ 17,996</u>

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

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):

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.

964,476

2022 Promissory Note payable to Oklahoma Water Resources Board, original amount of \$20,565,000 dated March 3, 2022, 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 4.2%, with final payment due September 15, 2051. In the event of default on the OWRB loan, the lender may: 1) file suit for specific performance of any or all of the covenants of the Borrower contained in the Loan Agreement; 2) acceleration of the payment of principal of and interest accrued on the Note; 3) appointment of temporary trustees to take over, operate and maintain the System on a profitable basis and insure the payment of the principal of and interest on the Note and any other Borrower indebtedness or suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the Loan Agreement.

19,945,000

2024 Promissory Note payable to Oklahoma Water Resources Board, original amount of \$2,200,000 dated October 1, 2024, 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 5.2% for the first 14 years of the term and 4.2% for the remaining 15 years of the term, with final payment due October 1, 2054. In the event of default on the OWRB loan, the lender may: 1) file suit for specific performance of any or all of the covenants of the Borrower contained in the Loan Agreement; 2) acceleration of the payment of principal of and interest accrued on the Note; 3) appointment of temporary trustees to take over, operate and maintain the System on a profitable basis and insure the payment of the principal of and interest on the Note and any other Borrower indebtedness or suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the Loan Agreement.

2,200,000

		Total Notes Payable	\$ 23,109,476
Plus: Unamortized bond premium			2,044,380
		Total Notes Payable	<u>\$ 25,153,856</u>
		Current portion	\$ 491,732
		Noncurrent portion	<u>24,662,124</u>
		Total Notes Payable	<u>\$ 25,153,856</u>

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

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, 2025, 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.

\$ 199,247

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.

77,617

	Total Notes Payable	\$ 276,864
	Current portion	\$ 61,216
	Noncurrent portion	215,648
	Total Notes Payable	\$ 276,864

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

<u>Year Ending June 30,</u>	Governmental Activities		Business-Type Activities	
	Notes Payable From Direct Borrowings		Notes Payable From Direct Borrowings and Direct Placements	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	7,466	704	552,948	904,842
2027	7,834	336	556,644	883,279
2028	2,696	27	548,814	862,352
2029	-	-	572,579	840,782
2030	-	-	591,399	818,397
2031-2035	-	-	3,159,669	3,726,391
2036-2040	-	-	15,884,980	6,187,938
2041-2045	-	-	439,307	269,220
2046-2055	-	-	1,080,000	243,180
Totals	\$ 17,996	\$ 1,067	\$ 23,386,340	\$ 14,736,381

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

6. Fund Balances

Fund Balance:

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

	General Fund	Major Capital Project Fund		Other Governmental Funds	TOTAL
		Capital Improvement			
Fund Balances:					
Restricted for:					
Capital projects	\$ -	\$ 840,285	\$ -	\$ 840,285	
Debt service	-	-	464,869	464,869	
Library operations	18,599	-	-	18,599	
Cemetery capital	-	-	195,844	195,844	
Sub-total Restricted	<u>18,599</u>	<u>840,285</u>	<u>660,713</u>	<u>1,519,597</u>	
Assigned to:					
Capital projects	-	609,574	-	609,574	
Library operations	31,565	-	-	31,565	
Cemetery capital and operations	-	-	31,955	31,955	
Sales tax debt fund	-	-	41,084	41,084	
Use of fund balance for subsequent budget	814,961	-	-	814,961	
Sub-total Assigned	<u>846,526</u>	<u>609,574</u>	<u>73,039</u>	<u>1,529,139</u>	
Unassigned	62,963	-	-	62,963	
TOTAL FUND BALANCES	<u>\$ 928,088</u>	<u>\$ 1,449,859</u>	<u>\$ 733,752</u>	<u>\$ 3,111,699</u>	

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), One cent is voter-restricted for capital improvements and/or job growth if needed (per ordinance 99-02-01), and ½ cent voter-restricted for debt service. The ½ cent debt service sales tax expires 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.

Pledge of Future Revenues

Sales Tax Pledge- The City has pledged 2.5 cents (or 71.4%) of future sales tax revenues to repay \$2,565,000 of 2011 Series Oklahoma Water Resources Board Note Payable, \$20,565,000 of 2022 Series Oklahoma Water Resources Board Note Payable, and \$2,200,000 of 2024 Series Oklahoma Water Resources Board Note Payable, for a total debt of \$25,330,000. Proceeds from the bonds and notes provided financing for the utility system capital assets. The bonds are payable through 2032, 2049, and 2055 respectively. The total principal and interest payable for the remainder of the life of these notes is \$37,843,339. Total pledged sales tax for the year was \$1,158,285. Debt service payments of \$1,313,930 for the current fiscal year were 113% 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 \$199,247. Total pledged sales tax for the year was \$231,722. Debt service payments of \$9,996 for the current fiscal year were 4.3% of the pledged sales taxes.

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

Utility Net Revenue Pledge- The City has also pledged future water and sewer net revenues to repay \$25,330,000 of 2011 Series Oklahoma Water Resources Board Note Payable, 2022 Series Oklahoma Water Resources Board Note Payable, and 2024 Series Oklahoma Water Resources Board Note Payable. Proceeds from the bonds and notes provided financing for the utility system capital assets. The bonds are payable through 2032, 2049, and 2055 respectively. The total principal and interest payable for the remainder of the life of these notes is \$37,843,339. The bonds are payable from the above-mentioned utility net revenues. The debt service payments on the notes this year were \$1,313,930 which was 78% of pledged net utility revenues of \$1,677,222. Additional debt service payments were paid with sales tax discussed in the 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, 2025 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
OUA Enterprise Fund	OUA Bond Fund	\$ 360,000	Payment of debt
OUA Enterprise Fund	Capital Improvement Fund	5,937,860	Capital outlay
General Fund	Capital Improvement Fund	463,305	Sales tax transfer
General Fund	Sales Tax Debt Fund	231,616	Sales tax transfer
General Fund	OUA	463,305	Sales tax transfer
ARPA Fund	Capital Improvement Fund	34,989	ARPA Expense
OUA Enterprise Fund	General Fund	750,000	Operating
Sales Tax Debt Fund	Capital Improvement Fund	178,018	Capital outlay
Capital Improvement Fund	OUA	239,996	Capital outlay
Capital Improvement Fund	Sales Tax Debt Fund	8,170	Debt Service
Total		<u>\$ 8,667,259</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	\$ 7,603,958	\$ (1,619,399)	\$ 5,984,559
Proprietary Funds	1,063,301	(7,047,860)	(5,984,559)
	<u>\$ 8,667,259</u>	<u>\$ (8,667,259)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ 5,984,559
Transfer of business-type activity from governmental activities	<u>(5,992,472)</u>
Transfers - internal activity	<u>\$ (7,913)</u>

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

Balances:

Interfund receivable and payables at June 30, 2025 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	\$ 11,030	Cemetery revenue
Capital Improvement Fund	Utilities Fund	22,000	Sale of asset
Capital Improvement Fund	General Fund	10,017	Operating revenues fire dept grant
Total		<u>\$ 43,047</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 21,047	\$ (43,047)	\$ (22,000)
Proprietary Funds	22,000	-	22,000
Total	<u>\$ 43,047</u>	<u>\$ (43,047)</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.

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2023	\$660	\$660
2024	\$660	\$660
2025	\$1,080	\$1,080

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.

1. Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	All regular full-time employees, except police, firefighters and other employees who are covered under an approved system. Probationary period is 6 months.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	3.85% of covered payroll
-Employee Rate	3.75% of earnings (pretax)
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	The accrued benefit payable immediately.
-Early Retirement	The accrued benefit reduced 5% per year for commencement prior to normal retirement age.
-Disability Retirement	The accrued benefit payable upon disablement without reduction for early payment.
-Death Benefit	After vesting, if married, 50% of the accrued benefit payable to the spouse until death or remarriage. If not married, benefit is payable for 5 years certain.
-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 optional form based on actuarial equivalent. Other payment options are available: - Joint and 50% survivor annuity - Joint and 66-2/3rds% last survivor annuity - Joint and 100% survivor annuity

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

2. Actuarial Assumptions

<u>Date of Last Actuarial Valuation</u>	<u>July 1, 2024</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 - Before retirement	PubG-2010(25% A/75% B) males PubG-2010(50% A/50% B) females With projected mortality improvement.
- After retirement	120% PubG-2010 (25% A/75% B) males 120% PubG-2010 (50% A/50% B) females With projected mortality improvement.
- Disabled	2022 OASDI ultimate rates
g. Asset Valuation Method	Actuarial method

For the year ended June 30, 2025, the City’s employer contribution to the plan was \$112,601 which was 8.63% of covered payroll, which is more than the actuarially required contribution. The OMRF contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2023	\$78,098	\$101,811
2024	\$55,588	\$104,973
2025	\$50,233	\$112,601

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.

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 JP Morgan 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. There were no contributions to the plan for the year ended June 30, 2025.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

12. Commitments and Contingencies

Outstanding Construction Contracts:

The City had the following outstanding construction contract commitments at June 30, 2025:

<u>Contractor/Project</u>	<u>Contract Amount</u>	<u>Remaining Balance</u>
Delta Airport Consultants, Inc.	110,000	36,550
Sagemill Construction, LLC	1,330,684	843,379
Wall Engineering: (WTP,AMI,storage tank)	2,150,825	675,582
Crossland Heavy Contractors, Inc	31,725,000	21,779,076
Wall Engineering	<u>322,749</u>	<u>79,802</u>
Total	<u>\$35,639,258</u>	<u>\$23,414,389</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.

Federal and State Award Programs:

The City of Okemah participates in various federal or state grant/loan programs from year to year. In 2025, the City's involvement in federal and state award programs was 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.

13. Subsequent Events

The City of Okemah had its first business open in August of 2025, subsequent to year end, within the tax increment financing district that was established in order to implement the Okemah Economic Development Project Plan, for the promotion of economic development activities throughout the City. The collection of tax revenues related to these activities will be collected in a separate fund to further the improvements set forth in the plan.

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

OTHER SUPPLEMENTARY INFORMATION

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

Budgetary Comparison Schedule – General Fund (Budgetary Basis) – Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 725,341	\$ 864,405	\$ 864,405	\$ -
Resources (Inflows):				
Taxes	1,612,800	1,612,800	2,011,000	398,200
Intergovernmental	138,500	138,500	120,256	(18,244)
Charges for services	24,150	24,150	36,347	12,197
Fines and forfeitures	15,250	15,250	24,752	9,502
Licenses and permits	82,500	82,500	25,022	(57,478)
Investment income	15,000	15,000	35,678	20,678
Miscellaneous	47,575	47,575	169,933	122,358
Transfers in	750,000	750,000	750,000	-
Total resources (Inflows)	<u>2,685,775</u>	<u>2,685,775</u>	<u>3,172,988</u>	<u>487,213</u>
Amounts available for appropriation	<u>3,411,116</u>	<u>3,550,180</u>	<u>4,037,393</u>	<u>487,213</u>
Charges to Appropriations (Outflows):				
General government	235,260	224,760	217,804	6,956
Police	630,780	688,280	688,134	146
Fire	69,234	51,034	42,824	8,210
Police Dispatcher	331,128	291,128	287,192	3,936
Streets	147,864	166,064	165,997	67
Animal Control	85,801	85,801	60,904	24,897
Cemetery	83,349	83,349	80,384	2,965
Parks and Recreation	73,094	73,094	53,357	19,737
Library	86,987	86,987	82,802	4,185
Code Enforcement	123,665	116,665	109,937	6,728
Civil Defense	100,145	96,795	55,275	41,520
Police - Cops in School	52,657	52,657	36,606	16,051
Swimming Pool	41,234	41,234	17,289	23,945
Airport	4,450	4,700	2,620	2,080
Media Center	67,908	71,008	45,850	25,158
Transfers Out	1,031,072	1,161,072	1,158,262	2,810
Total Charges to Appropriations	<u>3,164,628</u>	<u>3,294,628</u>	<u>3,105,237</u>	<u>189,391</u>
Ending Budgetary Fund Balance	<u>\$ 246,488</u>	<u>\$ 255,552</u>	<u>\$ 932,156</u>	<u>\$ 676,604</u>

Footnotes to Budgetary Comparison Schedules:

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.

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

3. Reconciliation of the budgetary basis to modified cash basis for the General Fund is as follows:

Total Resources (Inflows) Per Budgetary Comparison Schedule	\$ 3,172,988
Intergovernmental adjustments	14,076
Interest income adjustment	(3)
Fines & forfeitures adjustment	(18)
Cemetery care fund	(4,058)
Adjusted Total Resources	<u>\$ 3,182,985</u>
Total Resources (Inflows) Per Statement of Revenues, Expenditures and Changes in Fund Balance:	
Total Revenues	\$ 2,432,985
Transfer In	750,000
Total Resources (Inflows) Per Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 3,182,985</u>
 Charges to Appropriations (Outflows) Per Budgetary Comparison Schedule:	
Life and Health insurance adjustment	\$ 3,105,237
Grant expense reclassification	2,414
Miscellaneous transfer adjustment	4,222
Adjusted Total Charges to Appropriations	(36)
	<u>\$ 3,111,837</u>
Total Expenditures and Transfers Per Statement of Revenues, Expenditures and Changes in Fund Balance	
Total Expenditures	\$ 1,953,611
Transfers Out	1,158,226
	<u>\$ 3,111,837</u>

CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025

Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2025

	<u>ARPA Fund</u>	<u>Cemetery Perpetual Fund</u>	<u>Sales Tax Debt Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 101,047	\$ 505,953	\$ 607,000
Investments	-	115,722	-	115,722
Due from other funds	-	11,030	-	11,030
Total assets	<u>\$ -</u>	<u>\$ 227,799</u>	<u>\$ 505,953</u>	<u>\$ 733,752</u>
FUND BALANCES:				
Restricted	\$ -	\$ 195,844	\$ 464,869	\$ 660,713
Assigned	-	31,955	41,084	73,039
Total fund balances	-	227,799	505,953	733,752
Total fund balances	<u>\$ -</u>	<u>\$ 227,799</u>	<u>\$ 505,953</u>	<u>\$ 733,752</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor
Governmental Funds (Modified Cash Basis) – For the Year Ended June 30, 2025**

	<u>ARPA Fund</u>	<u>Cemetery Perpetual Fund</u>	<u>Sales Tax Debt Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES				
Charges for services	\$ -	\$ 5,471	\$ -	\$ 5,471
Investment earnings	372	3,565	19,666	23,603
Miscellaneous	-	-	-	-
Total revenues	<u>372</u>	<u>9,036</u>	<u>19,666</u>	<u>29,074</u>
EXPENDITURES				
Current:				
Debt Service -Interest	-	-	1,784	1,784
Debt Service -Principal	-	-	7,116	7,116
Total Expenditures	-	-	8,900	8,900
Excess (deficiency) of revenues over expenditures	<u>372</u>	<u>9,036</u>	<u>10,766</u>	<u>20,174</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	239,786	239,786
Transfers out	(34,989)	-	(178,018)	(213,007)
Total other financing sources and uses	<u>(34,989)</u>	<u>-</u>	<u>61,768</u>	<u>26,779</u>
Net change in fund balances	(34,617)	9,036	72,534	46,953
Fund balances - beginning	34,617	218,763	433,419	686,799
Fund balances - ending	<u>\$ -</u>	<u>\$ 227,799</u>	<u>\$ 505,953</u>	<u>\$ 733,752</u>

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

SINGLE AUDIT AND INTERNAL CONTROL AND COMPLIANCE INFORMATION



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

To the 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, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 25, 2026. 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.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 questioned costs as Finding 2025-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

HSPG & ASSOCIATES, PC

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

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

Purpose of This Report

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

HSPG & Associates, P.C.

March 25, 2026



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Okemah, Oklahoma’s (the “City”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2025. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

HSPG & ASSOCIATES, PC

5400 N Grand Blvd, Suite 330 • Oklahoma City, Oklahoma 73112 • Phone: 405.844.9995 • Fax: 405.844.9975

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 25, 2026, which contained unmodified opinions on those financial statements. 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. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

HSPG & Associates, P.C.

March 25, 2026

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2025**

Schedule of Federal Awards Expended (Modified Cash Basis)– Year Ended June 30, 2025

Federal Grantor/Pass through agency Grantor/Program Title	Federal AL Number	Pass Thru Grant #	Award Amount	Contract Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed through Indian Health Services:				
Sanitation Facilities Construction Project	93.445	OK 22-W87	\$ 10,598,000	\$ 3,469,315
Total U.S. Department of Health and Human Services			10,598,000	3,469,315
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Oklahoma Department of Commerce:				
Community Development Block Grant - Capital Improvement Planning	14.228	CDBG-CIP 2024	\$ 40,000	\$ 13,333
Total U.S. Department of Housing and Urban Development			40,000	13,333
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Emergency Management:				
Emergency Performance Grant	97.042	EMPG 24	25,000	12,500
Total AL 97.042			25,000	12,500
FEMA	97.036	FEMA 4776DR	175,343	25,770
Total AL 97.036			175,343	25,770
Total U.S. Department of Homeland Security			200,343	38,270
<u>U.S. DEPARTMENT OF TREASURY:</u>				
Passed through Oklahoma Water Resources Board:				
ARPA Grant	21.027	ARPA FY23	1,000,000	799,994
ARPA Grant	21.027	ARPA FY22	549,613	4,345
Total U.S. Department of Treasury			1,549,613	804,339
TOTAL FEDERAL AWARDS			12,347,956	4,311,924

CITY OF OKEMAH, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
Year Ended June 30, 2025

1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Okemah, Oklahoma (the “City”) for the year ended June 30, 2025 and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirement of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Subrecipients

The City did not provide federal awards to subrecipients during the year ended June 30, 2025.

**CITY OF OKEMAH, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED June 30, 2025**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

 Material weakness(es) identified? _____ yes ___ X ___ no

 Significant deficiency(ies) identified? ___ X ___ yes _____ none reported

Noncompliance material to financial statements noted? _____ yes ___ X ___ no

Federal Awards

Internal control over major federal programs:

 Material weakness(es) identified? _____ yes ___ X ___ no

 Significant deficiency(ies) identified? _____ yes ___ X ___ none reported

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

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? _____ yes ___ X ___ no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds
93.445	Indian Health Service Sanitation Facilities Construction Program

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

Auditee qualified as low-risk auditee? ___ X ___ yes _____ no

CITY OF OKEMAH, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED June 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

None

Internal Control Findings

2025-001

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None

Internal Control Findings

None

**CITY OF OKEMAH, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED June 30, 2025**

Financial Statement Findings

Finding 2025-001 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 in larger organizations.

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 mitigate that risk with increased oversight to the extent feasible.

Views of Responsive Officials of Auditee: The City of Okemah acknowledges the finding related to segregation of duties. This issue was largely due to limited staffing, which is something many small communities face. That said, we take this seriously and have already made changes to address it. We have separated key financial responsibilities where possible and added additional review and oversight to our processes. Management is now more involved in reviewing transactions, reports, and reconciliations to ensure accuracy and accountability. These changes have already been implemented and are working as intended. We will continue to monitor our procedures and make adjustments as needed to maintain strong internal controls. The City Manager and Finance Department will oversee these processes moving forward.