

CITY OF HARTSHORNE, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2021

Ralph Osborn  
Certified Public Accountant  
500 South Chestnut  
P.O. Box 1015  
Bristow, Oklahoma 74010-1015

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council  
City of Hartshorne, Oklahoma

Report on the Audit of Financial Statements

Qualified and Unmodified Opinions

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund (except as described below), and the aggregate remaining fund information of the Town of Hartshorne, Oklahoma (Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the Town's basic financial statements.

Qualified Opinions on Business-type Activities

In my opinion, except for the matters described in the Basis for Qualified and Unmodified Opinions section of my report, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of the Town of Hartshorne, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Unmodified Opinions on Governmental Activities and Aggregate Remaining Fund Information

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the aggregate remaining fund information of the Town of Hartshorne, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Qualified and Unmodified Opinions

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

Matter Giving Rise to Qualified Opinions on Business-type Activities

Management has not accurately reported depreciation, accordingly, has not considered the net effects of the possible variance between reported and actual depreciation. The Town has adopted the modified cash basis of accounting with one of the modifications being to include capital assets, net of accumulated depreciation. The depreciation would decrease the assets accordingly and more accurately represent capital assets. The net effects of the possible variance between reported and actual depreciation, although not reasonably determined, are presumed to be material. This matter is also discussed in finding 2021-1.

### Emphasis of Matter

I 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 State of America. My opinions are not modified with respect to this matter.

### Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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

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

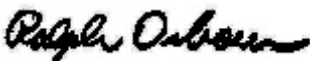
I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining financial statements 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 my opinion, the combining financial statements - modified cash basis are fairly stated, in all material respects, in relation to the basic financial statements as a whole

Other Reporting Required by Government Auditing standards

In accordance with Government Auditing Standards, I have also issued my report dated February 2, 2024, on my consideration of the Town of Hartshorne 's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the effectiveness of the District'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 Town of Hartshorne's internal control over financial reporting and compliance.



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

CITY OF HARTSHORNE, OKLAHOMA  
HARTSHORNE, OKLAHOMA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2021

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 715,001	\$ 44,095	\$ 759,096
Internal balances	(26,370)	26,370	-
Restricted cash and cash equivalents	21	73,564	73,585
Restricted Investments	-	172,263	172,263
 Capital assets:			
Other capital assets net of accumulated depreciation	<u>4,333,940</u>	<u>8,926,454</u>	<u>13,260,394</u>
 Total assets	<u>5,022,592</u>	<u>9,242,746</u>	<u>14,265,338</u>
 <b>LIABILITIES:</b>			
Deposit subject to refund	-	64,730	64,730
Long-term liabilities:			
Due within one year	27,951	48,649	76,600
Due in more than one year	<u>34,678</u>	<u>2,871,625</u>	<u>2,906,303</u>
 Total liabilities	<u>62,629</u>	<u>2,985,004</u>	<u>3,047,633</u>
 <b>NET POSITION</b>			
Invested in capital assets, net of related debt	4,271,311	6,006,180	10,277,491
Restricted for Debt service	-	172,263	172,263
Restricted	61,512	73,564	135,076
Unrestricted	<u>627,140</u>	<u>5,735</u>	<u>632,875</u>
 Total net position	<u>\$4,959,963</u>	<u>\$6,257,742</u>	<u>\$11,217,705</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HARTSHORNE, OKLAHOMA  
HARTSHORNE, OKLAHOMA  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

			Net (Expense) Revenue and Changes in Net Assets			
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
FUNCTION/PROGRAMS				<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities						
Administration	\$ 87,689	\$ -	\$ -	\$ (87,689)	\$ -	\$ (87,689)
Public safety	412,965	56,943	232,338	(123,684)	-	(123,684)
Community services	6,625	-	-	(6,625)	-	(6,625)
Health and welfare	27,438	-	-	(27,438)	-	(27,438)
Highways and roads	69,077	-	12,689	(56,388)	-	(56,388)
Culture and recreation	26,233	-	-	(26,233)	-	(26,233)
General government	<u>321,242</u>	<u>2,350</u>	<u>-</u>	<u>(318,892)</u>	<u>-</u>	<u>(318,892)</u>
Total Governmental Activities	<u>951,269</u>	<u>59,293</u>	<u>245,027</u>	<u>(646,949)</u>	<u>-</u>	<u>(646,949)</u>
Business-type Activities						
Utilities	<u>1,282,753</u>	<u>1,336,192</u>	<u>-</u>	<u>-</u>	<u>53,439</u>	<u>53,439</u>
Total Business-Type Activities	<u>1,282,753</u>	<u>1,336,192</u>	<u>-</u>	<u>-</u>	<u>53,439</u>	<u>53,439</u>
Total Primary Government	<u>\$2,234,022</u>	<u>\$1,395,485</u>	<u>\$ 245,027</u>	<u>\$ (646,949)</u>	<u>\$ 53,439</u>	<u>\$ (593,510)</u>
General Revenues						
Taxes:						
Sales/use taxes				719,559	-	719,559
Franchise taxes				40,864	-	40,864
Cigarette taxes				5,507	-	5,507
Alcohol beverage taxes				29,406	-	29,406
Gas tax				3,343	-	3,343
Cemetery lot sales				9,358	-	9,358
Investment income				251	482	733
Royalties				275,416	-	275,416
Insurance reimbursement				71,087	-	71,087
Miscellaneous				95,577	-	95,577
Transfers				<u>(53,172)</u>	<u>53,172</u>	<u>-</u>
Total General Revenue and Transfers				<u>1,197,196</u>	<u>53,654</u>	<u>1,250,850</u>
Change in Net Position				550,247	107,093	657,340
Net Position - Beginning				<u>4,409,716</u>	<u>6,150,649</u>	<u>10,560,365</u>
Net Position - Ending				<u>\$ 4,959,963</u>	<u>\$ 6,257,742</u>	<u>\$11,217,705</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HARTSHORNE, OKLAHOMA  
HARTSHORNE, OKLAHOMA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
MODIFIED CASH BASIS  
JUNE 30, 2021

	General Fund	Street & Alley	Ambulance Fund	Other Governmental Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 416,119	\$ 61,491	\$ 174,597	\$ 62,794	\$ 715,001
Investments	-	-	-	-	-
Due from other funds	32,660	-	51,159	-	83,819
Restricted assets:					
Police bond	21	-	-	-	21
<b>TOTAL ASSETS</b>	<b>\$ 448,800</b>	<b>\$ 61,491</b>	<b>\$ 225,756</b>	<b>\$ 62,794</b>	<b>\$ 798,841</b>
 <b>LIABILITIES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Due to other funds	\$ 77,529	\$ -	\$ 32,660	\$ -	\$ 110,189
<b>TOTAL LIABILITIES</b>	<b>77,529</b>	<b>-</b>	<b>32,660</b>	<b>-</b>	<b>110,189</b>
 <b>FUND BALANCES:</b>					
Restricted	21	61,491	-	-	61,512
Unrestricted	371,250	-	193,096	62,794	627,140
<b>TOTAL FUND BALANCES</b>	<b>371,271</b>	<b>61,491</b>	<b>193,096</b>	<b>62,794</b>	<b>688,652</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 448,800</b>	 <b>\$ 61,491</b>	 <b>\$ 225,756</b>	 <b>\$ 62,794</b>	

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

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds, net of  
accumulated depreciation

4,333,940

Certain long-term liabilities are not due and payable  
from current financial resources and, therefore, are not  
reported in the funds:

    Lease purchase payable

(62,629)

Net position of governmental activities

\$ 4,959,963

The accompanying notes are an integral part of this financial statement.

CITY OF HARTSHORNE, OKLAHOMA  
HARTSHORNE, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	Street & Alley	Ambulance Fund	Other Governmental Fund	Total Governmental Funds
<b>Revenues:</b>					
<b>Taxes:</b>					
Sales tax	\$ 400,248	\$ -	\$ 185,265	\$ -	\$ 585,513
Use tax	134,046	-	-	-	134,046
Tobacco tax	5,507	-	-	-	5,507
Franchise tax	40,864	-	-	-	40,864
<b>Intergovernmental:</b>					
Alcoholic beverage tax	29,406	-	-	-	29,406
Gas tax	-	3,343	-	-	3,343
Motor vehicle tax	-	12,689	-	-	12,689
Grants	232,338	-	-	-	232,338
Sale of lots	-	-	-	9,358	9,358
Fines and court fees	56,943	-	-	-	56,943
Charges for services	2,350	-	-	-	2,350
Royalties	275,416	-	-	-	275,416
Investment income	115	76	49	11	251
Insurance reimbursement	71,087	-	-	-	71,087
Miscellaneous	81,438	-	8	14,131	95,577
<b>Total revenues</b>	<u>1,329,758</u>	<u>16,108</u>	<u>185,322</u>	<u>23,500</u>	<u>1,554,688</u>
<b>Expenditures:</b>					
Administration	80,231	-	-	-	80,231
Public safety	304,764	-	147,771	3,440	455,975
Community service	6,625	-	-	-	6,625
Health and welfare	27,333	-	-	105	27,438
Highways and roads	132,322	21	-	-	132,343
Culture and recreation	26,233	-	-	-	26,233
General government	325,217	-	-	-	325,217
<b>Total expenditures</b>	<u>902,725</u>	<u>21</u>	<u>147,771</u>	<u>3,545</u>	<u>1,054,062</u>
<b>Net change in fund balance before transfers</b>	427,033	16,087	37,551	19,955	500,626
<b>Transfers</b>	<u>(53,172)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,172)</u>
<b>Net change in fund balance</b>	373,861	16,087	37,551	19,955	447,454
<b>Fund balances, beginning</b>	<u>(2,590)</u>	<u>45,404</u>	<u>155,545</u>	<u>42,839</u>	<u>241,198</u>
<b>Fund balances, ending</b>	<u>\$ 371,271</u>	<u>\$ 61,491</u>	<u>\$ 193,096</u>	<u>\$ 62,794</u>	<u>\$ 688,652</u>

The accompanying notes are an integral part of this financial statement.



CITY OF HARTSHORNE, OKLAHOMA  
HARTSHORNE, OKLAHOMA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds \$ 447,454

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

Governmental funds report capital outlays as  
expenditures while governmental activities report  
depreciation expense to allocate those expenditures  
over the life of the assets:

Capital asset purchases capitalized	85,129
Depreciation expense	<u>(7,458)</u>
	<u>77,671</u>

Debt proceeds provide current financial resources to  
to governmental funds, but issuing debt increases long-  
term liabilities in the State of Net Assets. Repayment  
Of debt principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities  
in the State of Net Assets:

Capital lease obligation principal payments	<u>25,122</u>
	<u>25,122</u>

Change in net assets of governmental activities \$ 550,247

CITY OF HARTSHORNE, OKLAHOMA  
HARTSHORNE, OKLAHOMA  
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND  
MODIFIED CASH BASIS  
JUNE 30, 2021

	<u>Hartshorne Public Works Authority</u>
<b>ASSETS:</b>	
Current assets:	
Cash and cash equivalents	\$ 44,095
Restricted cash and cash equivalents	73,564
Restricted Investments	172,263
Due from other funds	<u>35,552</u>
Total current assets	<u>325,474</u>
Non-current assets:	
Land and construction in progress	6,130,814
Capital assets, net of depreciation	<u>2,795,640</u>
Total non-current assets	<u>8,926,454</u>
Total assets	<u>9,251,928</u>
<b>LIABILITIES:</b>	
Current liabilities:	
Due to other funds	9,182
Due to depositors	64,730
Deferred interest, net amortization - current	12,789
Notes payable - current portion	<u>35,833</u>
Total current liabilities	<u>122,534</u>
Non-current liabilities:	
Deferred interest, net amortization - non-current	338,908
Note payable - non-current	<u>2,532,717</u>
Total non-current liabilities	<u>2,871,625</u>
Total liabilities	<u>2,994,186</u>
Invested in capital assets, net of related debt	6,006,180
Restricted for Meter Deposit	73,564
Restricted for Debt service	172,263
Unrestricted	<u>5,735</u>
Total net position	<u>\$ 6,257,742</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HARTSHORNE, OKLAHOMA  
HARTSHORNE, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Hartshorne Public Works Authority</u>
<b>OPERATING REVENUES:</b>	
Charges for services	<u>\$ 1,336,192</u>
Total operating revenues	<u>1,336,192</u>
<b>OPERATING EXPENSES:</b>	
Wages	140,090
Payroll taxes	14,143
Employee benefits	48,279
Equipment	-
Fuel	8,095
Testing & licenses	19,953
Insurance	22,771
Maintenance & supplies	87,236
Sanitation	323,386
Office	30,741
Telephone	3,152
Professional Fees	21,042
Contract	7,362
Water Purchases	465,987
Utilities	28,947
Depreciation	<u>4,107</u>
Total operating expenses	<u>1,225,291</u>
Operating income (loss)	<u>110,901</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>	
Interest income	482
Interest expense	<u>(57,462)</u>
Total non-operating revenue (expenses)	<u>(56,980)</u>
Transfers in	53,172
Transfers out	-
Total transfers	<u>53,172</u>
Change in net position of business type activities	107,093
Total net position, beginning	<u>6,150,649</u>
Total net position, ending	<u>\$ 6,257,742</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HARTSHORNE, OKLAHOMA  
HARTSHORNE, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Hartshorne Public Works Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,336,267
Payments to suppliers	(1,013,155)
Payments to employees	<u>(202,512)</u>
Net Cash Provided by Operating Activities	<u>120,525</u>
Cash flows from non-capital and related financing activities	
Change in due (to)/from other funds, net	(1,920)
Transfer (to)/from other funds, net	<u>53,172</u>
Net cash provided by non-capital and related financing activities	<u>51,252</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Change in restricted cash	(8,005)
Loan proceeds	2,829,889
Acquisition of fixed assets	(268,642)
Principal paid on capital debt	(2,783,787)
Interest paid on capital debt	<u>(57,462)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(288,007)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest revenue	<u>482</u>
Net Cash Provided by Investing Activities	<u>482</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(115,748)
Cash and Cash Equivalents, Beginning	<u>159,843</u>
Cash and Cash Equivalents, Ending	<u>\$ 44,095</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating income (loss)	\$ 110,901
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	4,107
Changes in assets and liabilities:	
Increase/(decrease) in due to depositors	<u>5,517</u>
Net Cash Provided by Operating Activities	<u>\$ 120,525</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HARTSHORNE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Hartshorne, Oklahoma, is a municipal corporation incorporated under the laws of the State of Oklahoma. In evaluating how to define the City of Hartshorne, for the financial reporting purposes, management has considered all potential component units. The financial statements of the have been prepared in conformity with the modified cash basis. The basic but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestations of the ability are financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. The Hartshorne Public Works Authority is considered a component unit of the City of Hartshorne and it has been included in the financial statements. The Authority provides water, sewer and sanitation services as authorized by its charter.

The financial statements of the City of Hartshorne have been prepared in conformity with the modified cash basis. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting boy for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The accounting policies of the City conform to modified cash basis. The Proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

Government-Wide Financial Statements

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

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include:

- Public safety - police fines and forfeitures
- Operating grants and contributions which finance annual operating activities including restricted investment income
- Capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses.

These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Measurement Focus

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

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

- A. All government funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- B. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**Basis of Accounting**

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

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

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

**Basis of Accounting**

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

**Fund Types and Major Funds**

The City reports the following major governmental funds:

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

**Street and Alley Fund** - this fund accounts for revenue and expenses related to street maintenance.

**Ambulance Fund** - This fund accounts for the revenues and expenses related to the maintenance and operation of an ambulance service for the City.

**Proprietary Funds** - The City reports the following major enterprise funds:

**Hartshorne Public Works Authority** - The Authority provides certain utility services for the City.

**Budgetary Accounting and Control**

The City adopts an annual budget for all funds established by the governing body as required by O.S. 11 Section 17.207 through 17.210. The state statues also require that the budget be adopted by resolution or per the City charter at the legal level of classification (fund, department, and object category) and that the budget be filed with County Clerk and the Sate Auditor and Inspector. The City may transfer budgeted amounts within and among departments. The budget is prepared on a cash basis.

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

Investments

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

Encumbrances

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

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The City has not maintained inventory records, however, the value of inventory on hand at June 30, 2021 is not believed to be material.

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

Capital Assets, Depreciation, and Amortization

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

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

Water and Sewer Projects	40 years
Computer and Printers	5 years

Compensated Absences

The City of Hartshorne has no written policies concerning vacation and sick leave.

Reserves and Designations

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



CITY OF HARTSHORNE, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

Use of Estimates

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

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the City will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the City, and are held by counterparty or the counterparty's trust department but not in the name of the City. The City's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2021, the City's deposits and investments were covered by federal deposit insurance up to \$250,000; however, deposits over that amount were not insured or collateralized and were at risk.

Deposits

The City had deposits at financial institutions with a carrying amount of approximately \$1,004,944 at June 30, 2021. The bank balance of the deposits at June 30, 2021 was approximately \$1,049,118.

Credit Risk

Fixed-income securities are subject to credit risk. However, the City did not have fixed income securities at June 30, 2021.

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 Council monitor's the investment performance on an ongoing basis to limit the City's interest rate risk. As of June 30, 2021, the City's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2021 are as follows:.

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 32,660	Ambulance Fund	General Fund
35,552	General Fund	Public Works
9,182	Public Works	Ambulance Fund
41,978	General Fund	Ambulance Fund
<u>\$119,372</u>		

CITY OF HARTSHORNE  
HARTSHORNE, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 4 - RESTRICTED ASSETS

The Loan Resolution Security Agreements with the USDA Rural Development requires a reserve fund to be funded at 10% of the monthly installment until the balance is equal to the annual installment amount (\$12,801 X 12 = \$153,612). At June 30, 2021, the total balance in the debt service reserve accounts at First National Bank, Hartshorne was \$171,926.

Debt Service Reserve Account	\$172,263
Required Reserve	<u>(170,716)</u>
Excess/(Short)	<u>\$ 1,547</u>

The Authority also has restricted cash assets for customer deposits in the amount of \$64,730.

NOTE 5- CAPITAL ASSETS

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

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2021</u>
<b>PRIMARY GOVERNMENT</b>				
Governmental activities				
Capital assets				
General Fund	\$ 1,222,093	\$ 3,975	\$ -	\$ 1,226,068
Cemetery	32,645	-	-	32,645
Street & Alley	51,255	63,266	-	114,521
Library	403,918	-	-	403,918
Spec Building	1,477,353	-	-	1,477,353
Nutrition	201,671	-	-	201,671
Volunteer Fire	340,561	-	-	340,561
Utilities	89,624	-	-	89,624
Ambulance	232,238	-	-	232,238
Emergency	159,671	17,888	-	177,559
Park	45,240	-	-	45,240
Total capital assets	<u>4,256,269</u>	<u>85,129</u>	<u>-</u>	<u>4,341,398</u>
Less: Accumulated Depreciation	<u>-</u>	<u>(7,458)</u>	<u>-</u>	<u>(7,458)</u>
Governmental activities				
Capital Assets, Net	<u>\$ 4,256,269</u>	<u>\$ 77,671</u>	<u>\$ -</u>	<u>\$ 4,333,940</u>
Business-type activities				
Capital assets				
Public Works Authority	\$ 2,531,105	\$ 268,642	\$ -	\$ 2,799,747
Construction in Progress	<u>6,130,814</u>	<u>-</u>	<u>-</u>	<u>6,130,814</u>
Total capital assets	<u>8,661,919</u>	<u>268,642</u>	<u>-</u>	<u>8,930,561</u>
Less: Accumulated Depreciation	<u>-</u>	<u>(4,107)</u>	<u>-</u>	<u>(4,107)</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 8,661,919</u>	<u>\$ 264,535</u>	<u>\$ -</u>	<u>\$ 8,926,454</u>
<b>PRIMARY GOVERNMENT</b>				
Capital Assets, Net	<u>\$12,918,188</u>	<u>\$ 342,206</u>	<u>\$ -</u>	<u>\$13,260,394</u>

The City, along with KEDDO (Kiamichi Economic Development District), has prepared a Capital Improvement Plan which lists all of the City's capital assets at replacement cost. This list does not show original cost or prior year depreciation.

CITY OF HARTSHORNE  
HARTSHORNE, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 6 - NOTES PAYABLE - PROPRIETARY FUND

A brief description of the outstanding notes payable at June 30, 2021 is set forth below:

Oklahoma Water Resources Board loan in the original loan amount of \$2,270,000, with an estimated interest rate of 2.75%, term of 27.5 years, with monthly payments of \$12,205 payable to the Bank of Oklahoma for semi-annual payments of principal and interest to service the note payable.	\$ 2,270,000
Oklahoma Water Resources Board deferred interest on loan serviced by Bank of Oklahoma.	351,697
Citizens Bank of Ada loan in the original loan amount of \$78,250, interest rate of 3.50%, term of 5 years, monthly installment of \$1,425.	42,164
Oklahoma Water Resource Board interim loan in the original loan amount of \$580,000, interest rate of 1.66%, term of 15 years, interest payments to be made until refinanced with Bank of Oklahoma once the loan closes. As of June 30, 2020, only \$294,237 has been drawn down.	256,413
<b>TOTAL</b>	<b><u>\$ 2,920,274</u></b>

The following is a summary of changes in long-term debt of the proprietary fund for the year ended June 30, 2021:

Description	Payable at July 1, 2020	Additions	Retirements	Balance at June 30, 2021
U.S. Dept of Agriculture:				
Rural Development 92-01	\$ 1,871,548	\$ -	\$(1,871,548)	\$ -
Rural Development 92-03	857,853	-	(857,853)	-
Citizens Bank	58,726	-	(16,562)	42,164
Deferred Interest, net amt	-	351,697	-	351,697
OWRB	<u>86,045</u>	<u>208,192</u>	<u>(37,824)</u>	<u>256,413</u>
	<u>\$ 2,874,172</u>	<u>\$ 2,829,889</u>	<u>\$(2,783,787)</u>	<u>\$ 2,920,274</u>

Year ending June 30	Principal	Interest	Total
2022	\$ 35,860	\$ 89,004	\$ 124,864
2023	66,424	90,621	157,045
2024	62,351	88,478	150,829
2025	50,000	86,263	136,263
2026	55,000	83,533	138,533
2027-2031	310,000	376,933	686,933
2032-2036	375,000	307,948	682,948
2037-2041	450,000	227,316	677,316
2042-2046	535,000	135,345	670,345
2047-2049	<u>372,529</u>	<u>24,045</u>	<u>396,574</u>
OWRB	256,413	-	256,413
Deferred Int, Net Amortization	<u>351,697</u>	-	<u>351,697</u>
Total	<u>\$ 2,920,274</u>	<u>\$ 1,509,486</u>	<u>\$ 4,429,760</u>

CITY OF HARTSHORNE  
HARTSHORNE, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 7 - LEASE OBLIGATIONS

The Town has entered into a lease agreement as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The leases contain a clause which gives the Town and Authority the ability to terminate the lease agreement at the end of each fiscal year.

Capital lease transactions for the year ended June 30, 2021 are as follows:

	<u>Payable at</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2021</u>
3 Police Vehicles	\$ 87,751	\$ -	\$ (25,122)	\$ 62,629
	<u>\$ 87,751</u>	<u>\$ -</u>	<u>\$ (25,122)</u>	<u>\$ 62,629</u>

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

<u>Year ending June 30</u>	<u>Phone</u> <u>Equipment</u>	<u>Total</u>
2022	\$ 27,951	\$ 27,951
2023	27,951	27,951
2024	<u>9,317</u>	<u>9,317</u>
Total minimum lease payments	65,219	65,219
Less: Amount representing interest	<u>2,590</u>	<u>2,590</u>
Present value of future minimum lease payments	<u>\$ 62,629</u>	<u>\$ 62,629</u>

NOTE 8- COMPENSATED ABSENCES

The City does not report accrued expenses under the modified cash basis of accounting.

NOTE 9 - PROPRIETARY FUND WORKING CAPITAL

The net working capital of the enterprise fund (current assets less current liabilities) was \$202,913 at June 30, 2021.

NOTE 10 - RISK MANAGEMENT

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

CITY OF HARTSHORNE  
HARTSHORNE, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 11- PENSION OBLIGATIONS

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

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a Participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
City's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution full time)	20 years credited service, 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of credited service with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service with a maximum of 30 years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

The City is required to contribute \$60 per year per volunteer firefighter. For those years in which the City General Fund revenue falls below a statutory amount, the City is not required to make a contribution.

Contributions required by State Statue:

Fiscal Year	Required Contribution	Percentage Contributed
2021	\$ 1,680	100%
2020	\$ 660	100%
2019	\$ 848	100%

Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the plan. Copies of the report may be obtained from the State Retirement System.

Volunteer firefighters receive a monthly pension based on their years of service. The volunteer may receive death or spousal benefits if certain conditions are met.

CITY OF HARTSHORNE  
HARTSHORNE, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

Oklahoma Municipal Retirement Fund

The City allows employees to participate in Oklahoma Municipal Retirement Fund, a defined contribution plan. The plan is funded by contributions from participants and employers. The following is a summary of eligibility factor, contribution methods, and benefit provision:

<u>Oklahoma Municipal Retirement Fund</u>															
Eligibility to Participate	Once a six month probationary period is met, all regular full-time employees, and the City Clerk and Treasurer, except any person covered under another system														
Employer contributions	Match 100% of pay of the total mandatory. Plan forfeitures reduce the employer contributions														
Employee contributions	Up to 5% of mandatory after-tax contributions are eligible for employer match. Voluntary after-tax contributions are also allowed														
Service															
Credited Service	The last period of continuous employment with the employer														
Vesting	Credited service plus transferred service from other OMRF employers														
Normal Retirement Age	Age 65 with 5 or more years of vesting service														
Investment Options	Employees direct how their money is invested. A list of investment choices is available at <a href="http://okmrforg.voya.com">okmrforg.voya.com</a> or your personnel department														
Payment Options															
Before vesting	Return of employee contribution account balances (if any)														
After vesting	Benefit payment option include the distribution of Both the employee and the employer contribution account Balance and can be paid in any form designated by the participant, including: equivalent optional forms: - Full or partial lump sum - Monthly payments - Rollover to another qualified plan														
Vesting	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Years of Service</th> <th style="text-align: right; border-bottom: 1px solid black;">Vesting Percentage</th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Less than 3</td> <td style="text-align: right;">0%</td> </tr> <tr> <td style="padding-left: 20px;">3 but less than 4</td> <td style="text-align: right;">20%</td> </tr> <tr> <td style="padding-left: 20px;">4 but less than 5</td> <td style="text-align: right;">40%</td> </tr> <tr> <td style="padding-left: 20px;">4 but less than 5</td> <td style="text-align: right;">60%</td> </tr> <tr> <td style="padding-left: 20px;">4 but less than 5</td> <td style="text-align: right;">80%</td> </tr> <tr> <td style="padding-left: 20px;">7 or more</td> <td style="text-align: right;">100%</td> </tr> </tbody> </table>	Years of Service	Vesting Percentage	Less than 3	0%	3 but less than 4	20%	4 but less than 5	40%	4 but less than 5	60%	4 but less than 5	80%	7 or more	100%
Years of Service	Vesting Percentage														
Less than 3	0%														
3 but less than 4	20%														
4 but less than 5	40%														
4 but less than 5	60%														
4 but less than 5	80%														
7 or more	100%														
	100% vested also upon becoming disabled, death, or turning age 68.														

Annual reports may be obtained from Oklahoma Municipal Retirement System, 525 Central Park Dr., Oklahoma City, OK 73105.

CITY OF HARTSHORNE  
HARTSHORNE, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 12 - FEDERAL STATE GRANTS

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

NOTE 13 - STATE AUDITOR AND INSPECTOR CITIZEN'S PETITION SPECIAL AUDIT

The City underwent a special audit by the Oklahoma State Auditor and Inspector which covered the dates of July 1, 2015 through August 31, 2016. The objectives of the audit included a review of possible irregularities in utility billing, court activity, credit card expenditures, and payroll, and possible violations of the Open Meeting and Open Records Act. The Citizens' Petition Audit report, issued on October 19, 2017, concluded that misappropriations of funds and other possible violations did occur during that the special audit period. Any claims or legal matters resulting from these findings have not been resolved as of February 2, 2024.

NOTE 14- SUBSEQUENT EVENTS

The City has evaluated subsequent events and contingencies through February 2, 2024, the date which financial statements were available. The City underwent a special audit by the Oklahoma State Auditor and Inspector which covered the dates of July 1, 2015 through August 31, 2016. The objectives of the audit included a review of possible irregularities in utility billing, court activity, credit card expenditures, and payroll, and possible violations of the Open Meeting and Open Records Act. The Citizens' Petition Audit report, issued on October 19, 2017, concluded that misappropriations of funds and other possible violations did occur during that the special audit period. Any claims or legal matters resulting from these findings have not been resolved as of February 2, 2024.

CITY OF HARTSHORNE, OKLAHOMA  
HARTSHORNE, OKLAHOMA  
COMBINING BALANCE SHEET - MODIFIED CASH  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021

	Cemetery Fund	Volunteer Fire Dept	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 38,719	\$ 24,075	\$ 62,794
Investments	-	-	-
Receivables:			
Due from other funds	-	-	-
Other receivables	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 38,719</u>	<u>\$ 24,075</u>	<u>\$ 62,794</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES:</b>			
Reserved for:			
Unreserved, reported in:			
Special revenue funds	<u>38,719</u>	<u>24,075</u>	<u>62,794</u>
<b>TOTAL FUND BALANCES</b>	<u>38,719</u>	<u>24,075</u>	<u>62,794</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 38,719</u>	<u>\$ 24,075</u>	<u>\$ 62,794</u>

The accompanying notes are an integral part of this financial statement.



CITY OF HARTSHORNE, OKLAHOMA  
HARTSHORNE, OKLAHOMA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Cemetery Fund	Volunteer Fire Dept	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Investment income	-	11	11
Lot sales	9,358	-	9,358
Miscellaneous	-	14,131	14,131
TOTAL REVENUES	<u>\$ 9,358</u>	<u>\$ 14,142</u>	<u>\$ 23,500</u>
EXPENDITURES:			
Administration	\$ -	\$ -	\$ -
Public Safety	-	3,440	3,440
Community service	-	-	-
Health and welfare	105	-	105
Administrative services	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>105</u>	<u>3,440</u>	<u>3,545</u>
Net change in fund balances before transfers	9,253	10,702	19,955
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance after transfers	9,253	10,702	19,955
Fund balances - beginning	<u>29,466</u>	<u>13,373</u>	<u>42,839</u>
Fund balances - ending	<u>\$ 38,719</u>	<u>\$ 24,075</u>	<u>\$ 62,794</u>

The accompanying notes are an integral part of this financial statement.

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 Members of the Board of Trustees  
City of Hartshorne  
Hartshorne, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hartshorne, Oklahoma, modified cash basis, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Hartshorne's basic financial statements and have issued my report thereon dated February 2, 2024.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Accordingly, we do not express an opinion on the effectiveness of City of Hartshorne, Oklahoma's internal control.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-1 and 2021-2 to be significant deficiencies.

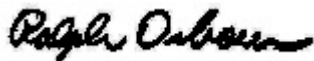
Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hartshorne, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests did not disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

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

Sincerely,



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

CITY OF HARTSHORNE, OKLAHOMA  
HARTSHORNE, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

2021-1 Capitalization and Depreciation

Statement of Condition - The City does not have a capitalization and depreciation policy. The City does not report depreciation expense or accumulated depreciation.

Criteria - The City has adopted the modified cash basis of accounting with one of the modifications being to include capital assets, net of accumulated depreciation.

Cause/Effect of Condition - The City may be over or under reporting assets due to assets that have been retired may not be removed from the total and assets that have been purchased may not have been added to the capital asset schedule. The City may be over reporting assets and under reporting expenses due to not accounting for accumulated depreciation and annual depreciation expense.

Recommendation - The City should adopt a capitalization and depreciation policy. The City should work with their outside consultant and management to adjust their capital asset and depreciation schedules and the respective financial statement accounts for any changes in capital assets and for accumulated depreciation.

2021-2 Inventory of fixed assets

Statement of Condition - The City does not have an updated list of capital assets in order to determine if assets may be missing.

Criteria - The City is responsible for safeguarding public assets, including capital assets.

Cause/Effect of Condition - The City could be missing assets that it isn't aware it should have in inventory.

Recommendation - The City should take an inventory of all capital assets and develop an internal control system to update and refer to the inventory periodically in order to recognize when assets are missing.