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May 14, 2025

City of Hartshorne

FOR PROFESSIONAL SERVICES:

Audit for the year ended June 30, 2022
State Auditor and Inspector Fee

\$ 4,400.00
100.00

Total

\$ 4,500.00

GEN25-346
5/40

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CITY OF HARTSHORNE, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2022

RALPH OSBORN, CPA LLP
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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

We 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 City of Hartshorne, Oklahoma (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the City's basic financial statements.

Qualified Opinions on Business-type Activities

In our opinion, except for the matters described in the Basis for Qualified and Unmodified Opinions section of our 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 City of Hartshorne, as of June 30, 2022, 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 our 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 City of Hartshorne, as of June 30, 2022, 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

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 City of Hartshorne, Oklahoma, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our 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 City 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 2022-1.

Emphasis of Matter

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 State of America. Our 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 City 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

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 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 City 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hartshorne'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.

Supplementary 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 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 our 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, we have also issued our report dated May 19, 2024, on our consideration of the City of Hartshorne '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 to describe the scope of our 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 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 of Hartshorne's internal control over financial reporting and compliance.

Ralph Osborn, CPA LLP

Ralph Osborn, CPA LLP
Bristow, Oklahoma
May 19, 2025

CITY OF HARTSHORNE, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2022

	<u>Primary Government</u>		
	<u>Business</u>		
	<u>Governmental</u>	<u>Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 656,838	\$ 119,735	\$ 776,573
Internal balances	(9,937)	9,937	-
Restricted cash and cash equivalents	493,425	163,562	656,987
Restricted Investments	-	34,401	34,401
Capital assets:			
Other capital assets net of accumulated depreciation	<u>4,443,070</u>	<u>9,263,621</u>	<u>13,706,691</u>
Total assets	<u>5,583,396</u>	<u>9,591,256</u>	<u>15,174,652</u>
LIABILITIES:			
Deposit subject to refund	-	72,419	72,419
Long-term liabilities:			
Due within one year	-	106,715	106,715
Due in more than one year	<u>-</u>	<u>2,903,632</u>	<u>2,903,632</u>
Total liabilities	<u>-</u>	<u>3,082,766</u>	<u>3,082,766</u>
NET POSITION			
Invested in capital assets, net of related debt	4,453,070	6,253,274	10,696,344
Restricted for Debt service	493,425	218,982	712,407
Restricted	-	117,235	117,235
Unrestricted	<u>646,902</u>	<u>(81,001)</u>	<u>565,901</u>
Total net position	<u>\$5,583,397</u>	<u>\$6,508,490</u>	<u>\$12,091,885</u>

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

CITY OF HARTSHORNE, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

				Net (Expense) Revenue and Changes in Net Assets		
				Primary Government	Business-Type	Net
	Expenses	Charges For Services	Operating Grants and Contributions	Governmental Activities	Activities	(Expenses) / Revenue
FUNCTION/PROGRAMS						
Governmental Activities						
Administration	\$ 47,607	\$ -	\$ -	\$ -	\$ -	\$ (47,607)
Public safety	311,049	68,887	6,863	-	-	(235,299)
Community services	23,691	-	-	-	-	(23,691)
Health and welfare	280,457	-	290,765	-	-	10,308
Highways and roads	107,915	-	20,578	-	-	(87,337)
Culture and recreation	823	-	8,942	-	-	8,119
General government	134,190	-	179,293	-	-	45,103
Total Governmental Activities	<u>905,732</u>	<u>68,887</u>	<u>506,441</u>	<u>-</u>	<u>-</u>	<u>(330,404)</u>
Business-type Activities						
Utilities	<u>1,301,330</u>	<u>1,323,073</u>	<u>-</u>	<u>-</u>	<u>61,276</u>	<u>83,019</u>
Total Business-Type Activities	<u>1,301,330</u>	<u>1,323,073</u>	<u>-</u>	<u>-</u>	<u>61,276</u>	<u>83,019</u>
Total Primary Government	<u>\$2,207,062</u>	<u>\$1,391,960</u>	<u>\$ 506,441</u>	<u>\$ -</u>	<u>\$ 61,276</u>	<u>\$ (247,385)</u>
Changes In Net Position:						
Net (expense)/revenue				\$ (330,404)	\$ 83,019	\$ (247,385)
General Revenues						
Taxes:						
Sales/use taxes				463,793	-	463,793
Use taxes				121,309	-	121,309
Franchise taxes				52,130	-	52,130
Alcohol beverage taxes				26,051	-	26,051
Cigarette Tax				5,337	-	5,337
Investment Income				458	645	1,103
Insurance reimbursement				107,239	-	107,239
Royalties				94,181	-	94,181
Miscellaneous				96,762	167,084	263,846
Transfers				-	-	-
Total General Revenue and Transfer				<u>967,260</u>	<u>167,729</u>	<u>1,134,989</u>
Change in Net Position				636,856	250,748	887,604
Net Position - Beginning				4,959,962	6,257,742	11,217,704
Prior Period Adjustments				(13,422)	-	(13,422)
Net Position - Ending				<u>\$ 5,583,397</u>	<u>\$ 6,508,490</u>	<u>\$12,094,886</u>

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

CITY OF HARTSHORNE, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
JUNE 30, 2022

	General Fund	Street & Alley	Ambulance Fund	Other Governmental Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 656,839	\$ 16,812	\$ 174,758	\$ 61,731	\$ 910,141
Investments	-	31,740	-	-	31,740
Due from other funds	47,403	-	38,673	-	86,076
Restricted assets:	208,383	-	-	-	208,383
TOTAL ASSETS	<u>\$ 912,625</u>	<u>\$ 48,552</u>	<u>\$ 213,431</u>	<u>\$ 61,731</u>	<u>\$ 1,236,340</u>

LIABILITIES AND FUND BALANCES:

LIABILITIES:					
Due to other funds	\$ 48,610	\$ 23,420	\$ -	\$ 23,983	\$ 96,013
TOTAL LIABILITIES	<u>48,610</u>	<u>23,420</u>	<u>-</u>	<u>23,983</u>	<u>96,013</u>

FUND BALANCES:

Restricted	208,383	25,132	213,431	37,748	484,695
Unrestricted	655,632	-	-	-	655,632
TOTAL FUND BALANCES	<u>864,015</u>	<u>25,132</u>	<u>213,431</u>	<u>37,748</u>	<u>1,140,327</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 912,625</u>	<u>\$ 48,552</u>	<u>\$ 213,431</u>	<u>\$ 61,731</u>	<u>\$ 1,236,340</u>

Amounts reported for governmental activities in the Statement of

Net Position are different because:

Total Fund Balances \$ 1,140,327

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

4,443,070

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

-

Net position of governmental activities

\$ 5,583,397

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

CITY OF HARTSHORNE, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Street & Alley	Ambulance Fund	Other Governmental Fund	Total Governmental Funds
Revenues:					
Taxes:					
Sales tax	\$ 463,793	\$ -	\$ 206,130	-	\$ 669,923
Use tax	121,309	-	-	-	121,309
Tobacco tax	5,337	-	-	-	5,337
Franchise tax	52,130	-	-	-	52,130
Alcoholic beverage tax	26,051	-	-	-	26,051
Gas tax	-	3,466	-	-	3,466
Motor vehicle tax	-	16,717	-	-	16,717
Grants	224,283	-	-	-	224,283
Sale of lots	-	-	-	7,869	7,869
Fines and court fees	68,887	-	-	-	68,887
Royalties	94,181	-	-	-	94,181
Insurance Reimbursement	107,239	-	-	-	107,239
Investment Income	345	395	99	14	853
Miscellaneous	137,347	-	81	6,863	144,291
Total revenues	<u>1,300,902</u>	<u>20,578</u>	<u>206,310</u>	<u>14,746</u>	<u>1,542,536</u>
Expenditures:					
Administration	47,607	-	-	-	47,607
Public safety	286,408	-	-	24,642	311,050
Community service	23,691	-	-	-	23,691
Health and welfare	94,482	-	185,975	-	280,457
Highways and roads	-	107,915	-	-	107,915
Culture and recreation	823	-	-	-	823
General government	132,462	-	-	1,728	134,190
Capital outlay	9,950	99,180	-	-	109,130
Capital Lease	62,577	-	-	-	62,577
Total expenditures	<u>658,000</u>	<u>207,095</u>	<u>185,975</u>	<u>26,370</u>	<u>1,077,440</u>
Excess of revenues over Expenditures	<u>642,903</u>	<u>(186,517)</u>	<u>20,335</u>	<u>(11,624)</u>	<u>465,096</u>
Other Financing Sources (Uses)					
Transfer in	-	150,158	-	-	150,158
Transfer out	<u>(150,158)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,158)</u>
Total other financing sources and use	<u>(150,158)</u>	<u>150,158</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	492,744	(36,359)	20,335	(11,624)	465,096
Fund balances, beginning	371,271	61,491	193,096	62,794	688,652
Prior period adjustment	-	-	-	(13,422)	(13,422)
(Fund balances, ending	<u>\$ 864,015</u>	<u>\$ 25,132</u>	<u>\$ 213,431</u>	<u>\$ 37,748</u>	<u>\$ 1,140,327</u>

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

CITY OF HARTSHORNE, OKLAHOMA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
MODIFIED CASH BASIS
JUNE 30, 2022

	Hartshorne Public Works <u>Authority</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 119,735
Restricted cash and cash equivalents	163,562
Restricted Investments	34,401
Due from other funds	<u>19,119</u>
Total current assets	<u>336,817</u>
Non-current assets:	
Land and construction in progress	6,130,814
Capital assets, net of depreciation	<u>3,132,807</u>
Total non-current assets	<u>9,263,621</u>
Total assets	<u>9,600,438</u>
LIABILITIES:	
Current liabilities:	
Due to other funds	9,182
Due to depositors	72,419
Deferred interest, net amortization - current	12,789
Notes payable - current portion	<u>93,926</u>
Total current liabilities	<u>188,316</u>
Non-current liabilities:	
Deferred interest, net amortization - non-current	325,510
Note payable - non-current	<u>2,578,122</u>
Total non-current liabilities	<u>2,903,632</u>
Total liabilities	<u>3,091,948</u>
Invested in capital assets, net of related debt	6,253,274
Restricted for Meter Deposit	117,235
Restricted for Debt service	218,982
Unrestricted	<u>(81,001)</u>
Total net position	<u>\$ 6,508,490</u>

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

CITY OF HARTSHORNE, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Hartshorne Public Works <u>Authority</u>
OPERATING REVENUES:	
Charges for services	\$ 1,323,073
Penalty	23,665
Service fee	620
Miscellaneous	<u>142,798</u>
Total operating revenues	<u>1,490,156</u>
OPERATING EXPENSES:	
Wages	114,979
Payroll taxes	16,574
Employee benefits	30,999
Fuel	16,551
Testing & licenses	16,610
Insurance	18,950
Maintenance & supplies	141,458
Sanitation	368,954
Office	8,217
Telephone	5,280
Professional Fees	10,250
Rent and lease	2,750
Water Purchases	422,497
Utilities	38,362
Supplies	2,292
Bank fees	1,550
Miscellaneous	<u>3,514</u>
Total operating expenses	<u>1,219,787</u>
Operating income (loss)	270,369
NON-OPERATING REVENUE (EXPENSES):	
Investment income	639
Grant income	61,276
amortization	13,398
Interest expense	<u>(94,934)</u>
Total non-operating revenue (expenses)	<u>(19,621)</u>
Net income before contributions and transfers	250,748
Total net position, beginning	<u>6,257,742</u>
Total net position, ending	<u>\$ 6,508,490</u>

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

CITY OF HARTSHORNE, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Hartshorne Public Works <u>Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,306,640
Payments to suppliers	(1,057,236)
Payments to employees	(162,551)
Other operating revenues	<u>167,083</u>
Net Cash Provided by Operating Activities	<u>253,936</u>
Cash flows from non-capital and related financing activities	
Change in due (to)/from other funds, net	-
Transfer (to)/from other funds, net	<u>-</u>
Net cash provided by non-capital and related financing activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of fixed assets	(337,167)
Principal paid on capital debt	(70,062)
Proceeds from loan draws	173,533
Interest paid on capital debt	(94,934)
Decrease in restricted cash for debt payment	88,419
Capital grants and contributions	<u>61,276</u>
Net Cash Used by Capital and Related Financing Activities	<u>(178,935)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	<u>639</u>
Net Cash Provided by Investing Activities	<u>639</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	75,640
Cash and Cash Equivalents, Beginning	<u>44,095</u>
Cash and Cash Equivalents, Ending	<u>\$ 119,735</u>
Cash, including time deposits	<u>\$ 119,735</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating income (loss)	\$ 270,369
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Non-operating revenue (expense)	
Change in assets and liabilities	
Increase/(decrease) in due to other funds	(16,433)
Increase(decrease) in deposits subject to refund funds	<u>-</u>
Total adjustments	<u>(16,433)</u>
Net Cash Provided by Operating Activities	<u>\$ 253,936</u>

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

CITY OF HARTSHORNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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 City 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 body 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 the modified cash basis of accounting. 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 the 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, 2022

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.

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

CITY OF HARTSHORNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

B. Basis of Accounting

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

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

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.

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 for 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 the General Fund as required by O.S. 68 Section 3002. The state statutes 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 State 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, 2022

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, 2022 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. Under the modified cash basis, prepaids are not reported. The expense is included in the period the liability is paid.

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 to be depreciated using the straight-line method. The City has not depreciated capital assets. 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:

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

Compensated Absences

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

CITY OF HARTSHORNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Reserves and Designations

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

Use of Estimates

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

NOTE 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, 2022, the City's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The City had deposits at financial institutions with a carrying amount of approximately \$1,525,552 at June 30, 2022. The bank balance of the deposits at June 30, 2022 was approximately \$1,546,496.

Credit Risk

Fixed-income securities are subject to credit risk. However, the City did not have fixed income securities at June 30, 2022.

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, 2022, 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, 2022 are as follows:.

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 63,828	Ambulance Fund	General Fund
9,182	Ambulance Fund	Public Works
17,160	General Fund	Ambulance Fund
19,119	Public Works	General Fund
124,895	General Fund	Street & Alley
17,764	General Fund	Fire
1,316	Street & Alley	General Fund
<u>\$253,264</u>		

CITY OF HARTSHORNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 - RESTRICTED ASSETS

At June 30, 2022, no debt service reserve amounts were required for current loans.

NOTE 5- CAPITAL ASSETS

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

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2022</u>
PRIMARY GOVERNMENT				
Governmental activities				
Capital assets				
General Fund	\$ 1,226,068	\$ 9,950	\$ -	\$ 1,236,018
Cemetery	32,645	-	-	32,645
Street & Alley	114,521	99,180	-	213,701
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	177,559	-	-	177,559
Park	45,240	-	-	45,240
Total capital assets	<u>4,341,398</u>	<u>109,130</u>	<u>-</u>	<u>4,450,528</u>
Less: Accumulated Depreciation	<u>(7,458)</u>	<u>-</u>	<u>-</u>	<u>(7,458)</u>
Governmental activities				
Capital Assets, Net	<u>\$ 4,333,940</u>	<u>\$ 109,130</u>	<u>\$ -</u>	<u>\$ 4,443,070</u>
Business-type activities				
Capital assets				
Public Works Authority	\$ 2,799,747	\$ 337,167	\$ -	\$ 3,136,914
Construction in Progress	6,130,814	-	-	6,130,814
Total capital assets	<u>8,930,561</u>	<u>337,167</u>	<u>-</u>	<u>9,267,728</u>
Less: Accumulated Depreciation	<u>(4,107)</u>	<u>-</u>	<u>-</u>	<u>(4,107)</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 8,926,454</u>	<u>\$ 337,167</u>	<u>\$ -</u>	<u>\$ 9,263,621</u>
PRIMARY GOVERNMENT				
Capital Assets, Net	<u>\$13,260,394</u>	<u>\$ 446,297</u>	<u>\$ -</u>	<u>\$13,706,691</u>

CITY OF HARTSHORNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - NOTES PAYABLE - PROPRIETARY FUND

A brief description of the outstanding notes payable at June 30, 2022 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 \$11,688 payable to the Bank of Oklahoma for semi-annual payments of principal and interest to service the note payable. Loan date 09/15/2021 to 09/15/2048	\$ 2,250,000
Oklahoma Water Resources Board deferred interest on 2021 loan, amortized over the life of loan. 09/15/2021 to 09/15/2048	338,299
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.	26,299
Oklahoma Water Resource Board interim in the original loan amount of \$409,345, interest rate of 1.66%, term of 15 years, with monthly payments of \$2,835 payable to the Bank of Oklahoma for semi-annual payments of principal and interest to service the note payable.	<u>395,749</u>
TOTAL	<u>\$ 3,010,347</u>

The following is a summary of changes in long-term debt of the proprietary fund for the year ended June 30, 2022:

Description	Payable at July 1, 2021	Additions	Retirements	Balance at June 30, 2022
OWRB	\$ 2,270,000	\$ -	\$ 20,000	\$ 2,250,000
OWRB Deferred Interest	351,697	-	13,398	338,299
Citizens Bank	42,164	-	15,865	26,299
OWRB	<u>256,413</u>	<u>173,533</u>	<u>34,197</u>	<u>395,749</u>
Totals	<u>\$ 2,920,274</u>	<u>\$ 173,533</u>	<u>\$ 83,460</u>	<u>\$ 3,010,347</u>

Annual debt service requirements are:

Year ending June 30	Principal	Interest	Total
2023	\$ 93,871	\$ 97,217	\$ 191,088
2024	89,138	94,609	183,747
2025	78,415	91,873	170,288
2026	83,895	88,663	172,558
2027	84,383	85,315	169,698
2028-2049	<u>2,242,346</u>	<u>1,009,456</u>	<u>3,251,802</u>
Total	<u>\$ 2,672,048</u>	<u>\$ 1,467,133</u>	<u>\$ 4,139,181</u>
Deferred Int	<u>\$ 338,299</u>		
Total Debt	<u>\$ 3,010,347</u>		

CITY OF HARTSHORNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - LEASE OBLIGATIONS

The City 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 city 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, 2022 are as follows:

	Payable at July 1, 2021	<u>Additions</u>	<u>Retirements</u>	Balance at June 30, 2022
3 Police Vehicles	\$ 62,629	\$ -	\$ (62,629)	\$ -
	<u>\$ 62,629</u>	<u>\$ -</u>	<u>\$ (62,629)</u>	<u>\$ -</u>

NOTE 8 - 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.

CITY OF HARTSHORNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Contributions required by State Statute:

<u>Fiscal</u> <u>Year</u>	<u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2022	\$ 1,120	100%
2021	\$ 840	100%
2020	\$ 1,028	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.

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 okmrfor.voya.com 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> <tr> <th><u>Years of Service</u></th><th><u>Vesting Percentage</u></th></tr> <tr> <td>Less than 3</td><td>0%</td></tr> <tr> <td>3 but less than 4</td><td>20%</td></tr> <tr> <td>4 but less than 5</td><td>40%</td></tr> <tr> <td>4 but less than 5</td><td>60%</td></tr> <tr> <td>4 but less than 5</td><td>80%</td></tr> <tr> <td>7 or more</td><td>100%</td></tr> </table>	<u>Years of Service</u>	<u>Vesting Percentage</u>	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%
<u>Years of Service</u>	<u>Vesting Percentage</u>														
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, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 - 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.

NOTE 10 - 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 11 - RESTITUTION RELATED TO FEDERAL COURT CASE

On November 16, 2020, the former City Clerk entered into a plea agreement in federal court to pay the City \$80,083.35 in restitution. As of June 30, 2022 the remaining balance to be paid is \$79,933.35. As of March 24, 2025 the remaining balance to be paid is \$69,519.35

NOTE 12- PAST DUE PAYROLL LIABILITIES

At June 30, 2022 various quarterly payroll reports remained unfiled and the related payroll taxes unpaid with the Internal Revenue Service, the Oklahoma Tax Commission and the Oklahoma Employment Security Commission. As of May 16, 2025 the only remaining unfiled reports and unpaid taxes are for the Internal Revenue Service for payroll through June 30, 2022 is \$241,997, not including any potential penalties and interest. The City is actively working to get these reports filed and taxes paid.

CITY OF HARTSHORNE, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

	Cemetery Fund	Volunteer Fire Dept	Total Non-major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 31,438	\$ 30,293	\$ 61,731
Investments, including time deposits	-	-	-
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$ 31,438</u>	<u>\$ 30,293</u>	<u>\$ 61,731</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Notes payable	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>23,983</u>	<u>23,983</u>
TOTAL LIABILITIES	<u>-</u>	<u>23,983</u>	<u>23,983</u>
FUND BALANCES:			
Restricted:	-	-	-
Unrestricted:	<u>31,438</u>	<u>6,310</u>	<u>37,748</u>
TOTAL FUND BALANCES	<u>31,438</u>	<u>6,310</u>	<u>37,748</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 31,438</u>	<u>\$ 30,293</u>	<u>\$ 61,731</u>

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

CITY OF 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, 2022

	Cemetery Fund	Volunteer Fire Dept	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Investment income	-	14	14
Lot sales	7,869	-	7,869
Miscellaneous	-	6,863	6,863
TOTAL REVENUES	<u>7,869</u>	<u>6,877</u>	<u>14,746</u>
EXPENDITURES:			
Administration	-	-	-
Public Safety	-	24,642	24,642
Community service	-	-	-
Health and welfare	-	-	-
Administrative services	-	-	-
General government	<u>1,728</u>	<u>-</u>	<u>1,728</u>
Total expenditures	<u>1,728</u>	<u>24,642</u>	<u>26,370</u>
Excess (deficiency) of			
Revenue over expenditures	<u>6,141</u>	<u>(17,765)</u>	<u>(11,624)</u>
Net change in fund balances	6,141	(17,765)	(11,624)
Fund balances - beginning	38,719	24,075	62,794
Prior period adjustment	<u>(13,422)</u>	<u>-</u>	<u>(13,422)</u>
Fund balances - ending	<u>\$ 31,438</u>	<u>\$ 6,310</u>	<u>\$ 37,748</u>

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

RALPH OSBORN, CPA LLP

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

To the Honorable 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, 2022, and the related notes to the financial statements, which collectively comprise City of Hartshorne's basic financial statements and have issued our report thereon dated May 19, 2025.

Internal Control Over Financial Reporting

In planning and performing our 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 our 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.

Our 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 2022-3 to be a significant deficiency.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These are findings 2022-1 and 2022-2.

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, CPA LLP

Ralph Osborn, CPA LLP
Bristow, Oklahoma
May 19, 2025

CITY OF HARTSHORNE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

2022-1 Ordinance Approval

Statement of Condition - We noted the Board of Trustees for the Authority approved an ordinance which was not approved by the City Council.

Criteria - City ordinances need to be approved by the City Council. The Authority is made up of the same individuals, but it does not have the same powers as the City Council.

Cause/Effect of Condition - The vote on the ordinance was placed on the Authority agenda and not on the City Council agenda. The Council's failure to vote on the agenda item could cause questions as to the effect of the ordinance.

Recommendation - We recommend items which affect both the City of Hartshorne and Hartshorne Public Works Authority be placed on both agendas. Votes should be taken and recorded in the minutes of each meeting.

City Response -

2022-2 Approval of New Business

Statement of Condition - We noted instances of the City and Authority taking action on items under New Business.

Criteria - The Oklahoma Open Meeting Act Title 25 Section 311 A10 defines New Business as any matter not known about or which could not have been reasonably foreseen prior to the time of posting the agenda.

Cause/Effect of Condition - Some of the items discussed and acted upon under New Business could be questioned as to the time they were known about. If the items were known prior to posting, they should have been on the agenda. Action on an item that should have been on the agenda could be invalid.

Recommendation - The City and Authority should carefully consider items to place on the agenda for consideration. If the item could have been reasonably foreseen, it should be on the agenda or action delayed until the next meeting.

City Response -

CITY OF HARTSHORNE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

2022-3 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.

City Response -