

TOWN OF PORTER, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2025

RALPH OSBORN, CPA LLP

P. O. BOX 1015

500 SOUTH CHESTNUT

BRISTOW, OKLAHOMA 74010-1015

RALPH OSBORN, CPA LLP

500 S. Chestnut
P.O. Box 1015
Bristow, OK 74010

(918) 367-2208
(888) 413-2208
Fax (918) 367-1034
or (888) 261-6468

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Board of Trustees
Town of Porter
Porter, 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 Town of Porter, Oklahoma (Town), as of and for the year ended June 30, 2025, and the related notes to the financial statements which collectively comprise the Town's basic financial statements.

Qualified Opinions on Governmental Activities and Aggregate Remaining Fund Information

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 governmental activities and the aggregate remaining fund information of the Town of Porter, as of June 30, 2025, 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 Business-Type Activities

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 business-type activities of the Town of Porter, as of June 30, 2025, 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 Town of Porter, 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 we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinions on Governmental Activities and Aggregate Remaining Fund Information

The Town has adopted the modified cash basis of accounting with one of the modifications being to include capital assets, net of accumulated depreciation. We were unable to determine if capital assets reported were accurate. The Town has not maintained a schedule of fixed assets and depreciation schedule. The net effects of the possible variance between reported and actual capital assets, net of accumulated depreciation, although not reasonably determined, are presumed to be material. This matter is also discussed in finding 2025-1.

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 Town of Porter'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*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town of Porter'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 Town of Porter'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 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 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 Matters

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Porter, Oklahoma's basic financial statements. The budgetary comparison and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditure of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing standards

In accordance with Government Auditing Standards, We have also issued our report dated October 9, 2025, on our consideration of the Town of Porter '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 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 Porter's internal control over financial reporting and compliance.

Ralph Osborn, CPA LLP

Ralph Osborn, CPA LLP
Bristow, Oklahoma
October 9, 2025

TOWN OF PORTER, OKLAHOMA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2025

	<u>Primary Government</u>		
	<u>Business</u>		
	<u>Governmental</u>	<u>Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 498,972	\$1,027,733	\$ 1,526,705
Restricted for water insurance:			
Cash and cash equivalents	-	21,678	21,678
Interfund receivables	-	-	-
Prepaid expense	<u>5,986</u>	<u>2,632</u>	<u>8,618</u>
Total current assets	<u>504,958</u>	<u>1,052,043</u>	<u>1,557,001</u>
Non-current assets:			
Capital assets			
Land	-	97,798	97,798
Plant in service	-	6,667,681	6,667,681
Accumulated depreciation	<u>-</u>	<u>(1,810,440)</u>	<u>(1,810,440)</u>
Total non-current assets	<u>-</u>	<u>4,955,039</u>	<u>4,955,039</u>
Total assets	<u>504,958</u>	<u>6,007,082</u>	<u>6,512,040</u>
LIABILITIES			
Current liabilities:			
Utility deposits	-	43,758	43,758
Lease payable, current portion	-	-	-
Notes payable, current portion	<u>-</u>	<u>11,865</u>	<u>11,865</u>
Total current liabilities	<u>-</u>	<u>55,623</u>	<u>55,623</u>
Non-current liabilities:			
Lease payable, non-current portion	-	-	-
Notes payable, non-current portion	<u>-</u>	<u>455,882</u>	<u>455,882</u>
Total non-current liabilities	<u>-</u>	<u>455,882</u>	<u>455,882</u>
Total liabilities	<u>-</u>	<u>511,505</u>	<u>511,505</u>
NET POSITION			
Capital Assets, net of related debt	-	4,487,292	4,487,292
Restricted for water insurance	-	21,678	21,678
Reserved for meter deposits	-	43,758	43,758
Unrestricted	<u>504,958</u>	<u>942,849</u>	<u>1,447,807</u>
Total net position	<u>\$ 504,958</u>	<u>\$5,495,577</u>	<u>\$ 6,000,535</u>

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

TOWN OF PORTER, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2025

Function/Programs	Expenses	Program Revenue			Net (Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 416,438	\$ -	\$ 446,943	\$ 22,401	\$ 52,906
Public safety	176	1,314	-	-	1,138
Street	190,773	-	6,940	-	(183,833)
Cemetery	4,320	11,625	-	-	7,305
Total governmental activities	611,707	12,939	453,883	22,401	(122,484)
Business-type activities					
Utility services	734,273	856,716	998,309	-	1,120,752
Total business-type activities	734,273	856,716	998,309	-	1,120,752
Total primary government	<u>\$1,345,980</u>	<u>\$ 869,655</u>	<u>\$ 1,452,192</u>	<u>\$ 22,401</u>	<u>\$ 998,268</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	<u>\$ (122,484)</u>	<u>\$ 1,120,752</u>	<u>\$ 998,268</u>
General revenues			
Taxes			
Sales tax	235,315	-	235,315
Use tax	68,093	-	68,093
Tobacco tax	1,401	-	1,401
Franchise	19,121	-	19,121
Gasoline tax	1,529	-	1,529
Sale of surplus property	-	-	-
Donations	5,843	-	5,843
Rent	170	-	170
Miscellaneous	6,918	-	6,918
Interest	6,847	18,981	25,828
Loan forgiveness	-	-	-
Insurance proceeds	-	18,024	18,024
Transfers	-	-	-
Total general revenue and transfers	<u>345,237</u>	<u>37,005</u>	<u>382,242</u>
Change in net position	222,753	1,157,757	1,380,510
Net position - beginning	<u>282,205</u>	<u>4,337,820</u>	<u>4,620,025</u>
Net position - ending	<u>\$ 504,958</u>	<u>\$ 5,495,577</u>	<u>\$ 6,000,535</u>

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

TOWN OF PORTER, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Street	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 257,427	\$ 196,571	\$ 44,974	\$ 498,972
Due from other funds	-	-	-	-
Prepaid expense	5,986	-	-	5,986
TOTAL ASSETS	<u>\$ 263,413</u>	<u>\$ 196,571</u>	<u>\$ 44,974</u>	<u>\$ 504,958</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Unrestricted	263,413	196,571	44,974	504,958
TOTAL FUND BALANCES	<u>263,413</u>	<u>196,571</u>	<u>44,974</u>	<u>504,958</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 263,413</u>	<u>\$ 196,571</u>	<u>\$ 44,974</u>	

RECONCILIATION TO STATEMENT OF NET POSITION

Amounts reported for governmental activities in the statement of net position are different because:

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

Capital lease obligation payable

Net position of governmental activities

-
\$ 504,958

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

TOWN OF PORTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Street	Other Governmental Funds	Governmental Funds
Revenue				
Sales tax	\$ 205,584	\$ 29,731	\$ -	\$ 235,315
Use tax	68,093	-	-	68,093
Tobacco tax	1,401	-	-	1,401
Alcoholic beverage tax	10,192	-	-	10,192
Motor vehicle tax	2,534	4,406	-	6,940
Gasoline excise tax	439	1,090	-	1,529
Franchise tax	19,121	-	-	19,121
Fines and forfeits	1,314	-	-	1,314
Intergovernmental	161,152	298,000	-	459,152
Interest	6,782	-	65	6,847
Rental	-	-	170	170
Donations	200	-	5,643	5,843
Cemetery	9,600	-	2,025	11,625
Sale of surplus property	-	-	-	-
Miscellaneous	2,753	-	4,165	6,918
Insurance proceeds	-	-	-	-
Total revenue	<u>489,165</u>	<u>333,227</u>	<u>12,068</u>	<u>834,460</u>
Expenditures				
Current				
General government	416,438	-	-	416,438
Public safety	176	-	-	176
Streets	-	190,773	-	190,773
Cemetery	<u>1,200</u>	<u>-</u>	<u>3,120</u>	<u>4,320</u>
Total expenditures	<u>417,814</u>	<u>190,773</u>	<u>3,120</u>	<u>611,707</u>
Excess (deficiency) of revenue over expenditures	<u>71,351</u>	<u>142,454</u>	<u>8,948</u>	<u>222,753</u>
Other financing sources (uses)				
Transfer from other funds	70,000	-	-	70,000
Transfer to other funds	<u>-</u>	<u>(70,000)</u>	<u>-</u>	<u>(70,000)</u>
Total other financing sources (uses)	<u>70,000</u>	<u>(70,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	141,351	72,454	8,948	222,753
Fund balances, beginning	<u>122,062</u>	<u>124,117</u>	<u>36,026</u>	<u>282,205</u>
Fund balances, ending	<u>\$ 263,413</u>	<u>\$ 196,571</u>	<u>\$ 44,974</u>	<u>\$ 504,958</u>

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

TOWN OF PORTER, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net changes in fund balances - total governmental funds	\$ 222,753
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Amounts reported for governmental activities in the statement of activities are different because:

Repayment of lease obligation principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activity.

Repayment of lease purchase	<u>-</u>
Change in net position	<u>\$ 222,753</u>

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

TOWN OF PORTER, OKLAHOMA
STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2025

	<u>Public Works Authority</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,027,733
Restricted for insurance	21,678
Prepaid expense	<u>2,632</u>
TOTAL CURRENT ASSETS	<u>1,052,043</u>
Non-Current Assets	
Capital Assets	
Land	97,798
Plant in service	6,667,681
Accumulated depreciation	<u>(1,810,440)</u>
TOTAL NON-CURRENT ASSETS	<u>4,955,039</u>
TOTAL ASSETS	<u>6,007,082</u>
LIABILITIES	
Current Liabilities	
Utility deposits	43,758
Lease payable, current	-
Notes payable, current	<u>11,865</u>
TOTAL CURRENT LIABILITIES	<u>55,623</u>
Non-Current Liabilities	
Lease payable, non-current	-
Notes payable, non-current	<u>455,882</u>
TOTAL NON-CURRENT LIABILITIES	<u>455,882</u>
TOTAL LIABILITIES	<u>511,505</u>
NET POSITION	
Capital assets, net of related debt	4,487,292
Restricted for insurance	21,678
Reserved for meter deposits	43,758
Unrestricted	<u>942,849</u>
Net position of business-type activities	<u>\$ 5,495,577</u>

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

TOWN OF PORTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Public Works Authority</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Garbage, sewer, and water sales	\$ 822,306
Charges for taps	24,290
Insurance proceeds	18,024
Miscellaneous	<u>10,120</u>
TOTAL OPERATING REVENUE	<u>874,740</u>
<u>OPERATING EXPENSES</u>	
Salaries and wages	209,751
Worker's compensation insurance	6,785
Materials and supplies	30,773
Gas and oil	11,112
Utilities	125,065
Water purchases	220,580
Legal and accounting	18,306
Miscellaneous	25,591
Equipment operation and maintenance	35,936
Insurance	4,507
Telephone and postage	6,170
Travel and schools	69
Depreciation	<u>29,860</u>
TOTAL OPERATING EXPENSES	<u>724,505</u>
OPERATING INCOME (LOSS)	<u>150,235</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	18,981
Interest expense	(9,768)
Grant income	<u>998,309</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>1,007,522</u>
Income Before Transfers	1,157,757
Transfer from other funds	-
Transfer to other funds	<u>-</u>
TOTAL TRANSFERS	<u>-</u>
Change in Net Position	1,157,757
TOTAL NET POSITION, BEGINNING	<u>4,337,820</u>
TOTAL NET POSITION, ENDING	<u>\$ 5,495,577</u>

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

TOWN OF PORTER, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2025

	Public Works <u>Authority</u>
Cash flows from operating activities	
Cash received from customers	\$ 874,740
Cash payments to employees	(209,751)
Cash payments to suppliers for goods and services	<u>(489,774)</u>
Net cash provided by operating activities	<u>175,215</u>
Cash flows from non-capital financing activities	
Change in due to other funds	(21,678)
Transfers, net	<u>-</u>
Net cash provided by non-capital financing activities	<u>(21,678)</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	(1,203,225)
Grant Income	998,309
Principal paid on notes payable	(11,584)
Interest paid on notes payable and fiscal fees	<u>(9,768)</u>
Net cash used for capital and related financing activities	<u>(226,268)</u>
Cash flows from investing activities	
Interest Revenue	<u>18,981</u>
Net cash provided by investing activities	<u>18,981</u>
Net increase/(decrease) in cash and cash equivalents	(53,750)
Cash and cash equivalents, beginning	<u>1,081,483</u>
Cash and cash equivalents, ending	<u>\$ 1,027,733</u>
Reconciliation of operating income (loss) to net cash provided by (Used) by operating activities	
Operating Income (Loss)	\$ 150,235
Adjustments to reconcile operating income to net cash:	
Depreciation	29,860
Used by operating activities:	
Changes in assets and liabilities:	
Increase/(decrease) in prepaid	470
Increase/(decrease) in utility deposits	<u>(5,350)</u>
Net cash provided by operating activities	<u>\$ 175,215</u>

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

TOWN OF PORTER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component 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 Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

TOWN OF PORTER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Fund Financial Statements

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

Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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:

1. 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.

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

Basis of Accounting

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

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

TOWN OF PORTER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Debt Service Funds - The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the Town other than debt service payments made by the enterprise funds.

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

Porter Public Works - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurements similar to the private sector. The reporting entity included the Porter Public Works Authority.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds - Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes two agency funds, a Meter Deposit Fund and Court Bond Fund. Since agency funds are custodial in nature, they do not involve the measurement of results of operations.

Major and Non-Major funds

Major funds:

General

Proprietary fund - Porter Public Works Authority

Non-Major funds:

Street and alley

Cemetery Donation

Cemetery Fundraiser

Cemetery Land

Debt Service

Rainy Day

TOWN OF PORTER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Budgetary Accounting and Control

A proposed budget is presented to the Town's Board of Trustees. The Board of Trustees holds a public hearing and may add to, subtract from, or change appropriation but may not change form of the budget. Any changes to the budget must be within the revenues and reserve estimated as available by the Town's management or the revenue estimates must be changed by an affirmative vote of the majority of the Town's Board of Trustees.

Expenditures may not legally exceed budgeted appropriations at the activity level.

Investments

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

Encumbrances

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

Inventories and Prepaids

The value of consumable inventories at June 30, 2025 is insignificant; purchases of inventory items are treated as expenditures.

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

Capital Assets, Depreciation, and Amortization

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the asset's estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset follows. In the government-wide financial statements, all machinery, equipment, furniture and automobiles costing \$500 or more have been capitalized and depreciated over the estimated useful life. Repairs, remodeling and construction costing \$1,500 or more have been capitalized and depreciated over the estimated useful life.

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

Utility system	10-40
Machinery and equipment	5-15
Vehicles	5

TOWN OF PORTER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Compensated Absences

The Town's policies regarding vacation time permits employees to accumulate earned but unused vacation leave. The Town does not record a liability for accrued compensated absences. The amount paid for compensated absences is expensed as paid.

Reserves and Designations

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

Use of Estimates

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

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2025, not all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$1,548,383 at June 30, 2025. The bank balance of the deposits at June 30, 2025 was approximately \$1,720,482.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2025.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Trustees monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2025, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

TOWN OF PORTER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE C - SALES TAX REVENUE

The Town presently levies a four-cent sales tax (on the dollar) on taxable sales within the Town. Three and one half cents of the sales tax is recorded in the General Fund and on half cent is recorded in the Street and Alley Fund.

NOTE D - CAPITAL ASSETS

Changes in capital assets.

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

	<u>CAPITAL ASSETS, DEPRECIATED</u>			
	<u>Beginning</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending</u>
Business-type activities				
Land	\$ 97,798	\$ -	\$ -	\$ 97,798
Plant and equipment	5,464,456	1,203,225	-	6,667,681
Total	5,562,254	1,203,225	-	6,765,479
Accumulated Depreciation	(1,780,580)	(29,860)	-	(1,810,440)
Business-type activities capital assets, net	<u>\$ 3,781,674</u>	<u>\$ 1,173,365</u>	<u>\$ -</u>	<u>\$ 4,955,039</u>

DEPRECIATION EXPENSE

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

Public Works Authority \$ 29,860

NOTE E - NOTES PAYABLE PROPRIETARY FUND

The following is a summary of the long-term debt transactions of the Town for the year ended June 30, 2025:

	<u>Payable at July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2025</u>
OWRB	\$ 479,331	\$ -	\$ 11,584	\$ 467,747
Total	<u>\$ 479,331</u>	<u>\$ -</u>	<u>\$ 11,584</u>	<u>\$ 467,747</u>

A brief description of the outstanding notes payable at June 30, 2025 is set forth below:

<u>Outstanding</u>	<u>Amount</u>
Oklahoma Water Resource Board original loan amount of \$787,480, set to be forgiven by OWRB in the amount of \$296,870. As of June 30, 2024, \$787,480 has been drawn down.	<u>\$ 467,747</u>
Total	<u>\$ 467,747</u>

TOWN OF PORTER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

The annual principal payments due over the next five years and thereafter are as follows. Actual debt service requirements will vary depending on the variable interest rate in effect at the time of payment.

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 11,865	\$ 11,217	\$ 23,082
2027	12,153	10,929	23,082
2028	12,419	10,663	23,082
2029	12,750	10,332	23,082
2030	13,059	10,023	23,082
2031-2035	70,180	45,230	115,410
2036-2040	79,108	36,302	115,410
2041-2045	89,217	26,194	115,411
2046-2050	100,589	14,821	115,410
2051-2053	<u>66,407</u>	<u>2,839</u>	<u>69,246</u>
Total	<u>\$ 467,747</u>	<u>\$ 178,550</u>	<u>\$ 646,297</u>

The Authority paid interest of \$9,768 on long-term debt during the year.

NOTE G - COMPENSATED ABSENCES

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

NOTE H- PENSION OBLIGATIONS

The Town does not offer any retirement plan or early retirement incentive.

Oklahoma Firefighter's Pension and Retirement System

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

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town'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

TOWN OF PORTER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

		Credited service with a maximum of 30 yrs Considered; If vested at or after age 50 Or after 10 but before 20 years of Credited service with reduced benefits.
Benefits and eligibility for distribution (full time)		20 years credited service, 2 ¼% of final Average salary multiplied by the years of Credited service with a maximum of 30 yrs Considered; If vested at or after age 50 Or after 10 but before 20 years of Credited service with reduced benefits.
Benefits and eligibility for distribution (Volunteer)		20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option		Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:		
Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes	Yes
Disability	Yes	Yes
Cost of living allowances	Yes	Yes

Contributions required by State Statute:

<u>Fiscal Year End</u>	<u>Oklahoma Firefighter's Pension And Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>
June 30, 2025	\$ 840	100%
June 30, 2024	780	100%
June 30, 2023	840	100%

NOTE I - RISK MANAGEMENT

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

NOTE J - FEDERAL AND STATE GRANTS

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

NOTE K - SUBSEQUENT EVENTS

The Town has evaluated subsequent events and contingencies through October 9, 2025, the date which financial statements were available. The Town believes there are no other items to disclose.

TOWN OF PORTER, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2025

	<u>Cemetery Donation</u>	<u>Cemetery Fundraiser</u>	<u>Cemetery Land</u>	<u>Fairgrounds</u>	<u>Sinking</u>	<u>Rainy Day</u>	<u>Total Non-major Funds</u>
ASSETS							
Cash and cash equivalents	\$ 11,907	\$ 1,273	\$ 4,372	\$ 5,835	\$ 750	\$ 20,837	\$ 44,974
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 11,907</u>	<u>\$ 1,273</u>	<u>\$ 4,372</u>	<u>\$ 5,835</u>	<u>\$ 750</u>	<u>\$ 20,837</u>	<u>\$ 44,974</u>
LIABILITIES AND FUND BALANCES							
FUND BALANCES							
Unrestricted, reported in nonmajor special revenue funds	<u>\$ 11,907</u>	<u>\$ 1,273</u>	<u>\$ 4,372</u>	<u>\$ 5,835</u>	<u>\$ 750</u>	<u>\$ 20,837</u>	<u>\$ 44,974</u>
TOTAL FUND BALANCES	<u>11,907</u>	<u>1,273</u>	<u>4,372</u>	<u>5,835</u>	<u>750</u>	<u>20,837</u>	<u>44,974</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,907</u>	<u>\$ 1,273</u>	<u>\$ 4,372</u>	<u>\$ 5,835</u>	<u>\$ 750</u>	<u>\$ 20,837</u>	<u>\$ 44,974</u>

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

TOWN OF PORTER, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025

	Cemetery Donation	Cemetery Fundraiser	Cemetery Land	Fairgrounds	Sinking	Rainy Day	Total Non-major Funds
REVENUES							
Donations	5,643	-	-	-	-	-	\$ 5,643
Lot sales	-	-	2,025	-	-	-	2,025
Opening/closing	-	-	-	-	-	-	-
Rental	-	-	-	170	-	-	170
Interest	-	-	-	-	-	65	65
Sale of surplus property	-	-	-	-	-	-	-
Miscellaneous	-	-	-	1,165	-	3,000	4,165
TOTAL REVENUES	<u>5,643</u>	<u>-</u>	<u>2,025</u>	<u>1,335</u>	<u>-</u>	<u>3,065</u>	<u>12,068</u>
EXPENDITURES							
General Government	-	-	-	-	-	-	-
Cemetery	<u>3,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,120</u>
TOTAL EXPENDITURES	<u>3,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,120</u>
Excess of revenues over (under) expenditures	<u>2,523</u>	<u>-</u>	<u>2,025</u>	<u>1,335</u>	<u>-</u>	<u>3,065</u>	<u>8,948</u>
Other financing sources(uses)							
Transfers from other funds	-	-	-	-	-	-	-
Transfer to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,523	-	2,025	1,335	-	3,065	8,948
Fund balances, beginning	<u>9,384</u>	<u>1,273</u>	<u>2,347</u>	<u>4,500</u>	<u>750</u>	<u>17,772</u>	<u>36,026</u>
Fund balances - ending	<u>\$ 11,907</u>	<u>\$ 1,273</u>	<u>\$ 4,372</u>	<u>\$ 5,835</u>	<u>\$ 750</u>	<u>\$ 20,837</u>	<u>\$ 44,974</u>

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

TOWN OF PORTER, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA#</u>	<u>Grantor's Number</u>	<u>Contract</u>	<u>Expenditures*</u>
United States Department of Housing and Urban Development (HUD)				
Passed through Oklahoma Department of Commerce (OKDOC)				
Community Development Block Grant	14.228	18624	\$ 600,000	\$ 187,207
Total passed through OK Dept of Commerce			<u>600,000</u>	<u>187,207</u>
United States Department of Health and Human Services (HHS)				
Passed through Indian Health Services				
Indian Health Services	93.933		<u>810,630</u>	<u>790,955</u>
Total passed through Indian Health Services			<u>810,630</u>	<u>790,955</u>
Total Expenditures of Federal Awards			<u>\$1,017,100</u>	<u>\$ 978,162</u>

Note 1 -* Represents federal share of expenditures only.

Note 2 -This schedule is prepared using the modified cash basis of accounting described in Note A.

Note 3 -The Town has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

RALPH OSBORN, CPA LLP

500 S. Chestnut
P.O. Box 1015
Bristow, OK 74010

(918) 367-2208
(888) 413-2208
Fax (918) 367-1034
or (888) 261-6468

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

To the Honorable Mayor and Board of Trustees
Town of Porter
Porter, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Porter, Oklahoma, modified cash basis, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Town of Porter's basic financial statements and have issued our report thereon dated October 9, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, We considered Town of Porter, 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 Town of Porter, Oklahoma's internal control. Accordingly, We do not express an opinion of the effectiveness of Town of Porter, 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 Town of Porter, 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-1 to be material weaknesses.

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 did not consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Porter, Oklahoma's financial statements are free of material misstatement, We performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, We do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2025-1.

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
October 9, 2025

RALPH OSBORN, CPA LLP

500 S. Chestnut
P.O. Box 1015
Bristow, OK 74010

(918) 367-2208
(888) 413-2208
Fax (918) 367-1034
or (888) 261-6468

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON
INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF FEDERAL AWARDS REQUIRED BY
UNIFORM GUIDANCE

To the Board of Trustees
Town of Porter
Bristow, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Town of Porter, Oklahoma compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2025. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that We plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as We considered necessary in the circumstance.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Town of Porter is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, We do not express an opinion on the effectiveness of Town of Porter's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that We consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Porter, Oklahoma as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Town of Porter, Oklahoma's basic financial statements. We issued our report thereon dated October 9, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Sincerely,

RALPH OSBORN, CPA LLP

Ralph Osborn, CPA LLP
Bristow, Oklahoma
October 9, 2025

TOWN OF PORTER, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

Section I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Qualified and Unmodified Opinions
on modified cash basis

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency identified that is
not considered to be material weakness(es)?

☐ Yes ☒ None Reported

Noncompliance material to financial
statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material Weakness(es) identified?

☐ Yes ☒ No

Significant deficiency identified that is
not considered to be material weakness(es)?

☐ Yes ☒ None Reported

Type of auditor's report issued on compliance
to major programs:

Unmodified on modified cash basis

Any audit findings disclosed that are required
to be reported in accordance with section
510(a) of Uniform Guidance

☐ Yes ☒ No

Programs tested as Major Programs

CFDA Number(s)

Name of Federal Program or Cluster

93.933

Indian Health Services

Dollar threshold used to distinguish
between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

Section II - Financial Statement Findings

2025-1 Capitalization and Depreciation

Statement of Condition - The Town has not maintained an accurate record of assets.

Criteria - 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 Town does not have an updated list of capital assets in order to determine if assets may be missing from the governmental funds.

Cause/Effect of Condition - The Town is under reporting assets due to assets that have been purchased or retired and may not have been added or removed from the capital asset schedule for governmental funds.

Recommendation - The Town should work with 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.

TOWN OF PORTER, OKLAHOMA
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2025

2024-1 Capitalization and Depreciation

Statement of Condition - The Town has not maintained an accurate record of assets.

Criteria - 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 Town does not have an updated list of capital assets in order to determine if assets may be missing from the governmental funds.

Cause/Effect of Condition - The Town is under reporting assets due to assets that have been purchased or retired and may not have been added or removed from the capital asset schedule for governmental funds.

Recommendation - The Town should work with 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.

Status - This has continued into the current fiscal year.