

TOWN OF PORTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2021

RALPH OSBORN
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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Board of Trustees
Town of Porter
Porter, Oklahoma

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion on Fixed Assets

The Town has adopted the modified cash basis of accounting with one of the modifications being to include capital assets, net of accumulated depreciation. I was 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 2021-1.

Opinion

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Fixed Assets" paragraph, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Porter, Oklahoma as of June 30, 2021, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

Basis of Accounting

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

Other Information

My 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*, I have also issued my report dated May 2, 2022, on my consideration of Town of Porter's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Town of Porter, Oklahoma's internal control over financial reporting and compliance.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
May 2, 2022

TOWN OF PORTER, OKLAHOMA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 191,231	\$ 396,711	\$ 587,942
Interfund receivables	(37,996)	37,996	-
Prepaid expense	<u>3,184</u>	<u>3,149</u>	<u>6,333</u>
Total current assets	<u>156,419</u>	<u>437,856</u>	<u>594,275</u>
Non-current assets:			
Capital assets			
Land	-	97,798	97,798
Plant in service	-	2,317,256	2,317,256
Accumulated depreciation	<u>-</u>	<u>(1,662,767)</u>	<u>(1,662,767)</u>
Total non-current assets	<u>-</u>	<u>752,287</u>	<u>752,287</u>
Total assets	<u>156,419</u>	<u>1,190,143</u>	<u>1,346,562</u>
LIABILITIES			
Current liabilities:			
Utility deposits	-	43,948	43,948
Lease payable, current portion	-	6,236	6,236
Notes payable, current portion	<u>-</u>	<u>8,418</u>	<u>8,418</u>
Total current liabilities	<u>-</u>	<u>58,602</u>	<u>58,602</u>
Non-current liabilities:			
Lease payable, non-current portion	-	4,744	4,744
Notes payable, non-current portion	<u>-</u>	<u>43,841</u>	<u>43,841</u>
Total non-current liabilities	<u>-</u>	<u>48,585</u>	<u>48,585</u>
Total liabilities	<u>-</u>	<u>107,187</u>	<u>107,187</u>
NET POSITION			
Capital Assets, net of related debt	-	689,048	689,048
Reserved for meter deposits	-	43,948	43,948
Unrestricted	<u>156,419</u>	<u>349,960</u>	<u>506,379</u>
Total net position	<u>\$ 156,419</u>	<u>\$1,082,956</u>	<u>\$ 1,239,375</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, 2021

Function/Programs	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
General government	\$ 103,678	\$ -	\$ 9,518	\$ 40,000	\$ (54,160)
Public safety	64,651	1,754	-	-	(62,897)
Street	62,183	-	4,866	-	(57,317)
Cemetery	27,711	9,649	-	-	(18,062)
Total governmental activities	<u>258,223</u>	<u>11,403</u>	<u>14,384</u>	<u>40,000</u>	<u>(192,436)</u>
Business-type activities					
Utility services	553,345	633,615	4,503	14,010	98,783
Total business-type activities	<u>553,345</u>	<u>633,615</u>	<u>4,503</u>	<u>14,010</u>	<u>98,783</u>
Total primary government	<u>\$ 811,568</u>	<u>\$ 645,018</u>	<u>\$ 18,887</u>	<u>\$ 54,010</u>	<u>\$ (93,653)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	\$ (192,436)	\$ 98,783	\$ (93,653)
General revenues			
Taxes			
Sales tax		125,765	125,765
Use tax		55,346	55,346
Tobacco tax		-	-
Franchise		13,237	13,237
Gasoline tax		688	688
Donations		5,773	5,773
Miscellaneous		9,069	9,069
Interest		922	739
Loan forgiveness		-	206,750
Insurance proceeds		-	24,573
Transfers		(2,831)	2,831
Total general revenue and transfers		<u>207,969</u>	<u>442,862</u>
Change in net position		15,533	333,676
Net position - beginning		<u>140,886</u>	<u>749,280</u>
Net position - ending		<u>\$ 156,419</u>	<u>\$ 1,082,956</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, 2021

	<u>General Fund</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 89,226	\$ 82,550	\$ 19,455	\$ 191,231
Due from other funds	-	-	787	787
Prepaid expense	<u>3,184</u>	<u>-</u>	<u>-</u>	<u>3,184</u>
TOTAL ASSETS	<u>\$ 92,410</u>	<u>\$ 82,550</u>	<u>\$ 20,242</u>	<u>\$ 195,202</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 38,783	\$ -	\$ -	\$ 38,783
TOTAL LIABILITIES	<u>38,783</u>	<u>-</u>	<u>-</u>	<u>38,783</u>
FUND BALANCES				
Unrestricted	<u>53,627</u>	<u>82,550</u>	<u>20,242</u>	<u>156,419</u>
TOTAL FUND BALANCES	<u>53,627</u>	<u>82,550</u>	<u>20,242</u>	<u>156,419</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 92,410</u>	<u>\$ 82,550</u>	<u>\$ 20,242</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

\$ 156,419

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, 2021

Other

	General Fund	Street	Governmental Funds	Governmental Funds
Revenue				
Sales tax	\$ 110,044	\$ 15,721	\$ -	\$ 125,765
Use tax	55,346	-	-	55,346
Tobacco tax	-	-	-	-
Alcoholic beverage tax	9,425	-	-	9,425
Motor vehicle tax	-	4,866	-	4,866
Gasoline excise tax	-	688	-	688
Franchise tax	13,237	-	-	13,237
Fines and forfeits	1,754	-	-	1,754
Intergovernmental	93	40,000	-	40,093
Interest	920	-	2	922
Donations	-	-	5,773	5,773
Cemetery	7,575	-	2,074	9,649
Miscellaneous	9,069	-	-	9,069
Insurance proceeds	-	-	-	-
Total revenue	<u>207,463</u>	<u>61,275</u>	<u>7,849</u>	<u>276,587</u>
Expenditures				
Current				
General government	103,671	-	7	103,678
Public safety	64,651	-	-	64,651
Streets	-	62,183	-	62,183
Cemetery	200	-	27,511	27,711
Total expenditures	<u>168,522</u>	<u>62,183</u>	<u>27,518</u>	<u>258,223</u>
Excess (deficiency) of revenue over expenditures	<u>38,941</u>	<u>(908)</u>	<u>(19,669)</u>	<u>18,364</u>
Other financing sources (uses)				
Transfer from other funds	-	-	1,457	1,457
Transfer to other funds	<u>(1,457)</u>	<u>-</u>	<u>(2,831)</u>	<u>(4,288)</u>
Total other financing sources (uses)	<u>(1,457)</u>	<u>-</u>	<u>(1,374)</u>	<u>(2,831)</u>
Net change in fund balance	37,484	(908)	(21,043)	15,533
Fund balances, beginning	<u>16,143</u>	<u>83,458</u>	<u>41,285</u>	<u>140,886</u>
Fund balances, ending	<u>\$ 53,627</u>	<u>\$ 82,550</u>	<u>\$ 20,242</u>	<u>\$ 156,419</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, 2021

	<u>Public Works Authority</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 396,711
Due from other funds	37,996
Prepaid expense	<u>3,149</u>
TOTAL CURRENT ASSETS	<u>437,856</u>
Non-Current Assets	
Capital Assets	
Land	97,798
Plant in service	2,317,256
Accumulated depreciation	<u>(1,662,767)</u>
TOTAL NON-CURRENT ASSETS	<u>752,287</u>
TOTAL ASSETS	<u>1,190,143</u>
LIABILITIES	
Current Liabilities	
Utility deposits	43,948
Lease payable, current	6,236
Notes payable, current	<u>8,418</u>
TOTAL CURRENT LIABILITIES	<u>58,602</u>
Non-Current Liabilities	
Lease payable, non-current	4,744
Notes payable, non-current	<u>43,841</u>
TOTAL NON-CURRENT LIABILITIES	<u>48,585</u>
TOTAL LIABILITIES	<u>107,187</u>
NET POSITION	
Capital assets, net of related debt	689,048
Reserved for meter deposits	43,948
Unrestricted	<u>349,960</u>
Net position of business-type activities	<u>\$ 1,082,956</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, 2021

	<u>Public Works Authority</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Garbage, sewer, and water sales	\$ 606,052
Charges for taps	14,250
Insurance proceeds	24,573
Miscellaneous	13,313
TOTAL OPERATING REVENUE	<u>658,188</u>
<u>OPERATING EXPENSES</u>	
Salaries and wages	182,726
Worker's compensation insurance	5,830
Materials and supplies	41,253
Gas and oil	2,768
Utilities	112,068
Water purchases	119,701
Legal and accounting	15,548
Miscellaneous	348
Equipment operation and maintenance	12,172
Insurance	3,767
Telephone and postage	4,367
Travel and schools	62
Depreciation	43,362
TOTAL OPERATING EXPENSES	<u>543,972</u>
OPERATING INCOME (LOSS)	<u>114,216</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	739
Interest expense	(4,848)
Grant income	18,513
Grant expense	(4,525)
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>9,879</u>
Income Before Transfers	124,095
Transfer from other funds	2,831
Transfer to other funds	-
TOTAL TRANSFERS	<u>2,831</u>
Net income (loss) before extraordinary items	126,926
<u>EXTRAORDINARY ITEMS</u>	
Loan forgiveness	<u>206,750</u>
Total Extraordinary Items	<u>206,750</u>
TOTAL NET POSITION, BEGINNING	<u>749,280</u>
TOTAL NET POSITION, ENDING	<u>\$ 1,082,956</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, 2021

	<u>Public Works Authority</u>
Cash flows from operating activities	
Cash received from customers	\$ 658,188
Cash payments to employees	(182,726)
Cash payments to suppliers for goods and services	<u>(314,316)</u>
Net cash provided (Used) by operating activities	<u>161,146</u>
Cash flows from non-capital financing activities	
Change in due to other funds	(14,010)
Transfers, net	<u>2,831</u>
Net cash provided by non-capital financing activities	<u>(11,179)</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	(287,818)
Loan forgiveness	206,750
Grant income	18,513
Grant expense	(4,525)
Principal paid on lease payable	(6,134)
Interest paid on lease payable and fiscal fees	(102)
Principal paid on notes payable	(7,928)
Interest paid on notes payable and fiscal fees	<u>(4,746)</u>
Net cash used for capital and related financing activities	<u>(85,990)</u>
Cash flows from investing activities	
Interest Revenue	<u>739</u>
Net cash provided by investing activities	<u>739</u>
Net increase/(decrease) in cash and cash equivalents	64,716
Cash and cash equivalents, beginning	<u>331,995</u>
Cash and cash equivalents, ending	<u><u>\$ 396,711</u></u>
Reconciliation of operating income (loss) to net cash provided by (Used) by operating activities	
Operating Income (Loss)	\$ 114,216
Adjustments to reconcile operating income to net cash:	
Depreciation	43,362
Used by operating activities:	
Changes in assets and liabilities:	
Increase/(decrease) in prepaid	(2,255)
Increase/(decrease) in utility deposits	<u>5,823</u>
Net cash provided by operating activities	<u><u>\$ 161,146</u></u>

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

TOWN OF PORTER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021 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 ave 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, 2021

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, 2021, 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 \$587,942 at June 30, 2021. The bank balance of the deposits at June 30, 2021 was approximately \$592,080.

Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Trustees monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2021, 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, 2021

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:

	CAPITAL ASSETS, DEPRECIATED			
	Beginning	Additions	Retirement	Ending
Business-type activities				
Land	\$ 97,798	\$ -	\$ -	\$ 97,798
Plant and equipment	2,029,438	287,818	-	2,317,256
Total	2,127,236	287,818	-	2,415,054
Accumulated Depreciation	(1,619,405)	(43,362)	-	(1,662,767)
Business-type activities capital assets, net	\$ 507,831	\$ 244,456	\$ -	\$ 752,287

DEPRECIATION EXPENSE

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

Public Works Authority	\$ 43,362
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NOTE E - CAPITAL LEASES

The Town has entered into lease agreements 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 lease contains a clause which gives the Town the ability to terminate the lease agreement at the end of each fiscal year.

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

	Payable at July 1, 2020	Additions	Retirements	Balance at June 30, 2021
Welch State Bank	\$ 17,114	\$ -	\$ 6,134	\$ 10,980
Total	\$ 17,114	\$ -	\$ 6,134	\$ 10,980

TOWN OF PORTER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Year Ending June 30	<u>Excavator</u>	<u>Total</u>
2022	\$ 6,236	\$ 6,236
2023	<u>5,716</u>	<u>5,716</u>
Total minimum lease payment	11,952	11,952
Less: Amount representing interest	<u>972</u>	<u>972</u>
Total	<u>\$ 10,980</u>	<u>\$ 10,980</u>

NOTE F - NOTES PAYABLE PROPRIETARY FUND

The following is a summary of the long-term debt transactions of the Town for the year ended June 30, 2021:

	Payable at July 1, 2020	<u>Additions</u>	<u>Retirements</u>	Balance at June 30, 2021
Patrick or Janelle Boyd	\$ 60,187	\$ -	\$ 7,928	\$ 52,259
Total	<u>\$ 60,187</u>	<u>\$ -</u>	<u>\$ 7,928</u>	<u>\$ 52,259</u>

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

<u>Outstanding</u>	<u>Amount</u>
Patrick or Janelle Boyd loan dated November 29, 2016, original loan amount of \$85,000, interest rate 6.00%, payable in monthly installments of \$943.67.	<u>52,259</u>
Total	<u>\$ 52,259</u>

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>
2022	\$ 8,418	\$ 2,906	\$ 11,324
2023	8,937	2,387	11,324
2024	9,488	1,836	11,324
2025	10,073	1,251	11,324
2026	10,694	630	11,324
2027	<u>4,649</u>	<u>70</u>	<u>4,719</u>
Total	<u>\$ 52,259</u>	<u>\$ 9,080</u>	<u>\$ 61,339</u>

The Authority paid interest of \$4,746 on long-term debt during the year.

TOWN OF PORTER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

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 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 ½% 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

TOWN OF PORTER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

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, 2021	\$ 960	100%
June 30, 2020	720	100%
June 30, 2019	600	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 May 2, 2022, the date which financial statements were available. The Town believes there are not any items to disclose.

TOWN OF PORTER, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

	<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	\$ 3,474	\$ 1,273	\$ 11,573	\$ 363	\$ 750	\$ 2,022	\$ 19,455
Due from other funds	-	-	-	-	-	787	787
TOTAL ASSETS	<u>\$ 3,474</u>	<u>\$ 1,273</u>	<u>\$ 11,573</u>	<u>\$ 363</u>	<u>\$ 750</u>	<u>\$ 2,809</u>	<u>\$ 20,242</u>
LIABILITIES AND FUND BALANCES							
FUND BALANCES							
Unrestricted, reported in nonmajor special revenue funds	<u>\$ 3,474</u>	<u>\$ 1,273</u>	<u>\$ 11,573</u>	<u>\$ 363</u>	<u>\$ 750</u>	<u>\$ 2,809</u>	<u>\$ 20,242</u>
TOTAL FUND BALANCES	<u>3,474</u>	<u>1,273</u>	<u>11,573</u>	<u>363</u>	<u>750</u>	<u>2,809</u>	<u>20,242</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,474</u>	<u>\$ 1,273</u>	<u>\$ 11,573</u>	<u>\$ 363</u>	<u>\$ 750</u>	<u>\$ 2,809</u>	<u>\$ 20,242</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, 2021

	Cemetery Donation	Cemetery Fundraiser	Cemetery Land	Fairgrounds	Sinking	Rainy Day	Total Non-major Funds
REVENUES							
Donations	5,773	-	-	-	-	-	\$ 5,773
Lot sales	-	-	1,287	-	-	-	1,287
Opening/closing	-	-	-	-	-	787	787
Interest	-	-	-	-	-	2	2
Insurance proceeds	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
TOTAL REVENUES	<u>5,773</u>	<u>-</u>	<u>1,287</u>	<u>-</u>	<u>-</u>	<u>789</u>	<u>7,849</u>
EXPENDITURES							
General Government	-	-	-	7	-	-	7
Cemetery	<u>26,600</u>	<u>-</u>	<u>911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,511</u>
TOTAL EXPENDITURES	<u>26,600</u>	<u>-</u>	<u>911</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>27,518</u>
Excess of revenues over (under) expenditures	<u>(20,827)</u>	<u>-</u>	<u>376</u>	<u>(7)</u>	<u>-</u>	<u>789</u>	<u>(19,669)</u>
Other financing sources(uses)							
Transfers from other funds	-	-	-	370	-	1,087	1,457
Transfer to other funds	<u>-</u>	<u>-</u>	<u>(2,831)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,831)</u>
Net other financing sources(uses)	<u>-</u>	<u>-</u>	<u>(2,831)</u>	<u>370</u>	<u>-</u>	<u>1,087</u>	<u>(1,374)</u>
Net change in fund balance	(20,827)	-	(2,455)	363	-	1,876	(21,043)
Fund balances, beginning	<u>24,301</u>	<u>1,273</u>	<u>14,028</u>	<u>-</u>	<u>750</u>	<u>933</u>	<u>41,285</u>
Fund balances - ending	<u>\$ 3,474</u>	<u>\$ 1,273</u>	<u>\$ 11,573</u>	<u>\$ 363</u>	<u>\$ 750</u>	<u>\$ 2,809</u>	<u>\$ 20,242</u>

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

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

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 Town of Porter, Oklahoma, modified cash basis, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Town of Porter's basic financial statements and have issued my report thereon dated May 2, 2022.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Accordingly, we do not express an opinion on the effectiveness of 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 2021-1 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, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests 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 2021-1.

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
Certified Public Accountant
Bristow, Oklahoma
May 2, 2022

TOWN OF PORTER, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

2021-1 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.