

TOWN OF PORTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2023

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
P. O. BOX 1015
500 SOUTH CHESTNUT
BRISTOW, OKLAHOMA 74010-1015

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

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund (except as described below), and the aggregate remaining fund information of the Town of Porter, Oklahoma (Town), as of and for the year ended June 30, 2023, 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 my opinion, except for the matters described in the Basis for Qualified and Unmodified Opinions section of my report, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the aggregate remaining fund information of the Town of Porter, as of June 30, 2023, 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 my 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Qualified and Unmodified Opinions

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

Matter Giving Rise to Qualified Opinions on 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. 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 2023-1.

Emphasis of Matter

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United State of America. My opinions are not modified with respect to this matter.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of 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

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

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

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

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

Supplementary Information

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

Other 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 23, 2024, on my consideration of the Town of Porter 's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Porter 's internal control over financial reporting and compliance.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
May 23, 2024

TOWN OF PORTER, OKLAHOMA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2023

	Primary Government		
	Business	Type	Total
ASSETS	Governmental	Activities	Total
Current assets:			
Cash and cash equivalents	\$ 370,693	\$ 954,273	\$ 1,324,966
Interfund receivables	-	-	-
Prepaid expense	3,880	3,057	6,937
Total current assets	374,573	957,330	1,331,903
Non-current assets:			
Capital assets			
Land	-	97,798	97,798
Plant in service	-	3,099,372	3,099,372
Accumulated depreciation	-	(1,743,968)	(1,743,968)
Total non-current assets	-	1,453,202	1,453,202
Total assets	374,573	2,410,532	2,785,105
LIABILITIES			
Current liabilities:			
Utility deposits	-	53,337	53,337
Lease payable, current portion	-	-	-
Notes payable, current portion	-	20,766	20,766
Total current liabilities	-	74,103	74,103
Non-current liabilities:			
Lease payable, non-current portion	-	-	-
Notes payable, non-current portion	-	399,746	399,746
Total non-current liabilities	-	399,746	399,746
Total liabilities	-	473,849	473,849
NET POSITION			
Capital Assets, net of related debt	-	1,032,690	1,032,690
Reserved for meter deposits	-	53,337	53,337
Unrestricted	374,573	850,656	1,225,229
Total net position	\$ 374,573	\$1,936,683	\$ 2,311,256

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, 2023

Function/Programs	<u>Expenses</u>	<u>Program Revenue</u>			Net (Expenses) Revenue
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
General government	\$ 333,159	\$ -	\$ 70,539	\$ 49,641	\$ (212,979)
Public safety	67,017	2,357	-	-	(64,660)
Street	14,997	-	4,178	-	(10,819)
Cemetery	852	10,225	-	-	9,373
Total governmental activities	<u>416,025</u>	<u>12,582</u>	<u>74,717</u>	<u>49,641</u>	<u>(279,085)</u>
Business-type activities					
Utility services	580,655	798,209	224,663	-	442,217
Total business-type activities	<u>580,655</u>	<u>798,209</u>	<u>224,663</u>	<u>-</u>	<u>442,217</u>
Total primary government	<u>\$ 996,680</u>	<u>\$ 810,791</u>	<u>\$ 299,380</u>	<u>\$ 49,641</u>	<u>\$ 163,132</u>

Changes in net position:	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) revenue	\$ (279,085)	\$ 442,217	\$ 163,132
General revenues			
Taxes			
Sales tax		215,707	215,707
Use tax		50,536	50,536
Tobacco tax		1,478	1,478
Franchise		19,530	19,530
Gasoline tax		1,011	1,011
Sale of surplus property		-	-
Donations		3,747	3,747
Rent		1,945	1,945
Miscellaneous		14,224	14,224
Interest		2,664	8,749
Loan forgiveness		-	162,104
Insurance proceeds		7,205	7,205
Transfers		30,770	(30,770)
Total general revenue and transfers		<u>348,817</u>	<u>486,236</u>
Change in net position		69,732	649,368
Net position - beginning		<u>304,841</u>	<u>1,661,888</u>
Net position - ending		<u>\$ 374,573</u>	<u>\$ 2,311,256</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, 2023

	<u>General Fund</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 223,316	\$ 106,861	\$ 40,516	\$ 370,693
Due from other funds	-	-	-	-
Prepaid expense	<u>3,880</u>	<u>-</u>	<u>-</u>	<u>3,880</u>
TOTAL ASSETS	<u>\$ 227,196</u>	<u>\$ 106,861</u>	<u>\$ 40,516</u>	<u>\$ 374,573</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Unrestricted	<u>227,196</u>	<u>106,861</u>	<u>40,516</u>	<u>374,573</u>
TOTAL FUND BALANCES	<u>227,196</u>	<u>106,861</u>	<u>40,516</u>	<u>374,573</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 227,196</u>	<u>\$ 106,861</u>	<u>\$ 40,516</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

\$ 374,573

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, 2023

	General Fund	Street	Other Governmental Funds	Governmental Funds
Revenue				
Sales tax	\$ 191,058	\$ 24,649	\$ -	\$ 215,707
Use tax	50,536	-	-	50,536
Tobacco tax	1,478	-	-	1,478
Alcoholic beverage tax	10,417	-	-	10,417
Motor vehicle tax	-	4,178	-	4,178
Gasoline excise tax	-	1,011	-	1,011
Franchise tax	19,530	-	-	19,530
Fines and forfeits	2,357	-	-	2,357
Intergovernmental	109,763	-	-	109,763
Interest	2,616	-	48	2,664
Rental	-	-	1,945	1,945
Donations	-	-	3,747	3,747
Cemetery	8,125	-	2,100	10,225
Sale of surplus property	-	-	-	-
Miscellaneous	7,528	2,459	4,237	14,224
Insurance proceeds	7,205	-	-	7,205
	<u>410,613</u>	<u>32,297</u>	<u>12,077</u>	<u>454,987</u>
Total revenue				
Expenditures				
Current				
General government	332,253	-	906	333,159
Public safety	67,017	-	-	67,017
Streets	-	14,997	-	14,997
Cemetery	-	-	852	852
	<u>399,270</u>	<u>14,997</u>	<u>1,758</u>	<u>416,025</u>
Total expenditures				
Excess (deficiency) of revenue over expenditures	<u>11,343</u>	<u>17,300</u>	<u>10,319</u>	<u>38,962</u>
Other financing sources (uses)				
Transfer from other funds	31,226	-	400	31,626
Transfer to other funds	(400)	-	(456)	(856)
Total other financing sources (uses)	<u>30,826</u>	<u>-</u>	<u>(56)</u>	<u>30,770</u>
Net change in fund balance	42,169	17,300	10,263	69,732
Fund balances, beginning	<u>185,027</u>	<u>89,561</u>	<u>30,253</u>	<u>304,841</u>
Fund balances, ending	<u>\$ 227,196</u>	<u>\$ 106,861</u>	<u>\$ 40,516</u>	<u>\$ 374,573</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, 2023

	<u>Public Works Authority</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 954,273
Due from other funds	-
Prepaid expense	<u>3,057</u>
TOTAL CURRENT ASSETS	<u>957,330</u>
Non-Current Assets	
Capital Assets	
Land	97,798
Plant in service	3,099,372
Accumulated depreciation	<u>(1,743,968)</u>
TOTAL NON-CURRENT ASSETS	<u>1,453,202</u>
TOTAL ASSETS	<u>2,410,532</u>
LIABILITIES	
Current Liabilities	
Utility deposits	53,337
Lease payable, current	-
Notes payable, current	<u>20,766</u>
TOTAL CURRENT LIABILITIES	<u>74,103</u>
Non-Current Liabilities	
Lease payable, non-current	-
Notes payable, non-current	<u>399,746</u>
TOTAL NON-CURRENT LIABILITIES	<u>399,746</u>
TOTAL LIABILITIES	<u>473,849</u>
NET POSITION	
Capital assets, net of related debt	1,032,690
Reserved for meter deposits	53,337
Unrestricted	<u>850,656</u>
Net position of business-type activities	<u>\$ 1,936,683</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, 2023

	<u>Public Works Authority</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Garbage, sewer, and water sales	\$ 757,633
Charges for taps	20,750
Miscellaneous	19,826
TOTAL OPERATING REVENUE	<u>798,209</u>
<u>OPERATING EXPENSES</u>	
Salaries and wages	226,044
Worker's compensation insurance	9,782
Materials and supplies	39,195
Gas and oil	10,893
Utilities	67,481
Water purchases	144,423
Legal and accounting	3,365
Miscellaneous	14,000
Equipment operation and maintenance	2,562
Insurance	3,503
Telephone and postage	9,092
Travel and schools	-
Depreciation	46,719
TOTAL OPERATING EXPENSES	<u>577,059</u>
OPERATING INCOME (LOSS)	<u>221,150</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	6,085
Interest expense	(3,596)
Grant income	224,663
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>227,152</u>
Income Before Transfers	448,302
Transfer from other funds	-
Transfer to other funds	(30,770)
TOTAL TRANSFERS	<u>(30,770)</u>
Net income (loss) before extraordinary items	417,532
<u>EXTRAORDINARY ITEMS</u>	
Loan forgiveness	162,104
Change in Net Position	529,636
TOTAL NET POSITION, BEGINNING	<u>1,357,047</u>
TOTAL NET POSITION, ENDING	<u>\$ 1,936,683</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, 2023

	<u>Public Works Authority</u>
Cash flows from operating activities	
Cash received from customers	\$ 798,209
Cash payments to employees	(226,044)
Cash payments to suppliers for goods and services	<u>(300,650)</u>
Net cash provided (Used) by operating activities	<u>271,515</u>
Cash flows from non-capital financing activities	
Change in due to other funds	23,986
Transfers, net	<u>(30,770)</u>
Net cash provided by non-capital financing activities	<u>(6,784)</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	(629,351)
Loan forgiveness	162,104
Loan proceeds	385,608
Grant Income	224,663
Principal paid on lease payable	(5,076)
Interest paid on lease payable and fiscal fees	(95)
Principal paid on notes payable	(8,937)
Interest paid on notes payable and fiscal fees	<u>(3,501)</u>
Net cash used for capital and related financing activities	<u>125,415</u>
Cash flows from investing activities	
Interest Revenue	<u>6,085</u>
Net cash provided by investing activities	<u>6,085</u>
Net increase/(decrease) in cash and cash equivalents	396,231
Cash and cash equivalents, beginning	<u>558,042</u>
Cash and cash equivalents, ending	<u><u>\$ 954,273</u></u>
Reconciliation of operating income (loss) to net cash provided by (Used) by operating activities	
Operating Income (Loss)	\$ 221,150
Adjustments to reconcile operating income to net cash:	
Depreciation	46,719
Used by operating activities:	
Changes in assets and liabilities:	
Increase/(decrease) in prepaid	529
Increase/(decrease) in utility deposits	<u>3,117</u>
Net cash provided by operating activities	<u><u>\$ 271,515</u></u>

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

TOWN OF PORTER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

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, 2023

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, 2023

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, 2023 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, 2023

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, 2023, 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 \$1,324,966 at June 30, 2023. The bank balance of the deposits at June 30, 2023 was approximately \$1,339,031.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2023.

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, 2023, 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, 2023

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	2,470,021	629,351	-	3,099,372
Total	2,567,819	629,351	-	3,197,170
Accumulated Depreciation	(1,697,249)	(46,719)	-	(1,743,968)
Business-type activities				
capital assets, net	\$ 870,570	\$ 582,632	\$ -	\$ 1,453,202

DEPRECIATION EXPENSE

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

Public Works Authority	\$ 46,719
------------------------	-----------

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. The lease was paid in full during the 2023 fiscal year.

Capital lease transactions for the year ended June 30, 2023 are as follows:

	Payable at July 1, 2022	Additions	Retirements	Balance at June 30, 2023
Welch State Bank	\$ 5,076	\$ -	\$ 5,076	\$ -
Total	\$ 5,076	\$ -	\$ 5,076	\$ -

TOWN OF PORTER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023:

	<u>Payable at July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2023</u>
Patrick or Janelle Boyd	\$ 43,841	\$ -	\$ 8,937	\$ 34,904
OWRB	-	385,608	-	385,608
Total	<u>\$ 43,841</u>	<u>\$ 385,608</u>	<u>\$ 8,937</u>	<u>\$ 420,512</u>

A brief description of the outstanding notes payable at June 30, 2023 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.	\$ 34,904
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, 2023, \$682,478 has been drawn down.	<u>385,608</u>
Total	<u>\$ 420,512</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>
2024	\$ 20,766	\$ 8,937	\$ 29,703
2025	21,657	12,749	34,406
2026	22,559	11,847	34,406
2027	16,802	10,999	27,801
2028	12,419	10,663	23,082
2029-2033	66,893	48,517	115,410
2034-2038	75,420	39,990	115,410
2039-2043	85,034	30,376	115,410
2044-2048	95,865	19,545	115,410
2049-2053	<u>3,097</u>	<u>7,311</u>	<u>10,408</u>
Total	<u>\$ 420,512</u>	<u>\$ 200,934</u>	<u>\$ 621,446</u>

The Authority paid interest of \$3,501 on long-term debt during the year.

TOWN OF PORTER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

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, 2023

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</u> <u>Year End</u>	<u>Oklahoma Firefighter's Pension</u> <u>And Retirement System</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
June 30, 2023	\$ 840	100%
June 30, 2022	840	100%
June 30, 2021	960	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 23, 2024, the date which financial statements were available. The Porter Public Works Authority approved a loan resolution security agreement authorizing and providing for the incurrence of indebtedness in the principal amount of \$787,480 and accepting the terms of a grant in the amount of \$296,870 from the Oklahoma Water Resource Board. As of June 30, 2023, the Authority has drawn down \$682,478. The remaining balance of \$105,002 was drawn down subsequent to the end of the 2023 fiscal year. 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, 2023

	<u>Cemetery</u> <u>Donation</u>	<u>Cemetery</u> <u>Fundraiser</u>	<u>Cemetery</u> <u>Land</u>	<u>Fairgrounds</u>	<u>Sinking</u>	<u>Rainy</u> <u>Day</u>	<u>Total</u> <u>Non-major</u> <u>Funds</u>
ASSETS							
Cash and cash equivalents	\$ 5,912	\$ 1,273	\$ 15,348	\$ 2,580	\$ 750	\$ 14,653	\$ 40,516
Due from other funds	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 5,912</u>	<u>\$ 1,273</u>	<u>\$ 15,348</u>	<u>\$ 2,580</u>	<u>\$ 750</u>	<u>\$ 14,653</u>	<u>\$ 40,516</u>
LIABILITIES AND FUND BALANCES							
FUND BALANCES							
Unrestricted, reported in nonmajor special revenue funds	\$ 5,912	\$ 1,273	\$ 15,348	\$ 2,580	\$ 750	\$ 14,653	\$ 40,516
TOTAL FUND BALANCES	<u>5,912</u>	<u>1,273</u>	<u>15,348</u>	<u>2,580</u>	<u>750</u>	<u>14,653</u>	<u>40,516</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,912</u>	<u>\$ 1,273</u>	<u>\$ 15,348</u>	<u>\$ 2,580</u>	<u>\$ 750</u>	<u>\$ 14,653</u>	<u>\$ 40,516</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, 2023

	Cemetery Donation	Cemetery Fundraiser	Cemetery Land	Fairgrounds	Sinking	Rainy Day	Total Non-major Funds
REVENUES							
Donations	3,747	-	-	-	-	-	\$ 3,747
Lot sales	-	-	2,100	-	-	-	2,100
Opening/closing	-	-	-	-	-	-	-
Rental	-	-	-	1,945	-	-	1,945
Interest	-	-	-	-	-	48	48
Sale of surplus property	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	4,237	4,237
TOTAL REVENUES	<u>3,747</u>	<u>-</u>	<u>2,100</u>	<u>1,945</u>	<u>-</u>	<u>4,285</u>	<u>12,077</u>
EXPENDITURES							
General Government	-	-	-	906	-	-	906
Cemetery	852	-	-	-	-	-	852
TOTAL EXPENDITURES	<u>852</u>	<u>-</u>	<u>-</u>	<u>906</u>	<u>-</u>	<u>-</u>	<u>1,758</u>
Excess of revenues over (under) expenditures	<u>2,895</u>	<u>-</u>	<u>2,100</u>	<u>1,039</u>	<u>-</u>	<u>4,285</u>	<u>10,319</u>
Other financing sources(uses)							
Transfers from other funds	-	-	-	400	-	-	400
Transfer to other funds	-	-	-	-	-	(456)	(456)
Net other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>400</u>	<u>-</u>	<u>(456)</u>	<u>(56)</u>
Net change in fund balance	2,895	-	2,100	1,439	-	3,829	10,263
Fund balances, beginning	3,017	1,273	13,248	1,141	750	10,824	30,253
Fund balances - ending	<u>\$ 5,912</u>	<u>\$ 1,273</u>	<u>\$ 15,348</u>	<u>\$ 2,580</u>	<u>\$ 750</u>	<u>\$ 14,653</u>	<u>\$ 40,516</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, 2023, 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 23, 2024.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Porter, Oklahoma's internal control. Accordingly, I do not express an opinion of 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 2023-1 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 financial statements. 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 2023-1.

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 23, 2024

TOWN OF PORTER, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

2023-1 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.