

TOWN OF VERDEN
Verden, Oklahoma

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2023

BY



Town of Verden
Verden, Oklahoma
Year Ended June 30, 2023

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Town of Verden
Verden, Oklahoma
Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Town Council
Town of Verden
Verden, Oklahoma

Report on the Audit of the Modified Cash Basis Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit of the Verden Economic Development Authority, each major fund, and the aggregate remaining fund information of the Town of Verden, Oklahoma (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Verden, Oklahoma's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Qualified
Discretely Presented Component Unit	Unmodified
Major Fund: General Fund	Qualified
Major Fund: Public Works Authority	Qualified
Aggregate Remaining Fund Information	Qualified

Qualified Opinion on the Government Activities, Business-type Activities, Major Funds, and Aggregate Remaining Fund Information

In our opinion, except for the effects of the matter disclosed in the "Basis for Qualified and Unmodified Opinions" section of our report, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Government Activities, Business-type Activities, Major Funds, and Aggregate Remaining Fund Information, as of June 30, 2023, and the changes in modified cash basis financial position thereof for the year then ended in accordance with modified cash basis of accounting described in Note 1.

Unmodified Opinions on Discretely Presented Component Unit

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the discretely presented component unit, Verden Economic Development Authority, of the Town of Verden, Oklahoma, as of June 30, 2023, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with modified cash basis of accounting described in Note 1.

Basis for Qualified and Unmodified Opinions

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

Matter Giving Rise to the Qualified Opinion on the Government Activities, Business-type Activities, Major Funds, and Aggregate Remaining Fund Information

Management of the Government Activities, Business-type Activities, Major Funds, and Aggregate Remaining Fund Information was unable to produce documentation for the recording of purchases, and the recording of licenses and permits. Management also did not properly follow established ordinances that pertain to the billing of utilities. Lastly, management did not properly remit payments to taxing agencies for payroll items.

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management 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 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation 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 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 the Town of Verden, Oklahoma's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 generally accepted auditing standards and *Government Auditing Standards* 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Verden, Oklahoma's basic financial statements. The budgetary comparison schedule, the combining nonmajor fund financial statements, and the schedule of federal and state awards is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2024, on our consideration of the Town of Verden, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Verden's internal control over financial reporting and compliance.

Furrh & Associates, PC

FURRH & ASSOCIATES, PC
Lawton, Oklahoma
May 10, 2024

Town of Verden, Oklahoma
Statement of Net Position - Modified Cash Basis
June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
ASSETS				
Cash and Cash Equivalents	\$ 83,208	\$ 32,423	\$ 115,631	\$ 259
Investments	110,687	0	110,687	0
Restricted Cash and Cash Equivalents	365	0	365	0
Accounts Receivable, Net	0	22,888	22,888	0
Prepaid Expenses	0	0	0	0
Deferred Inflow	8,651	1,095	9,746	0
Capital Assets, net of accumulated depreciation	212,144	1,397,991	1,610,135	0
Intangible Assets, net of accumulated amortization	0	0	0	0
Total Assets	<u>\$ 415,055</u>	<u>\$ 1,454,397</u>	<u>\$ 1,869,452</u>	<u>\$ 259</u>
LIABILITIES AND NET POSITION				
Liabilities:				
Meter Deposits	\$ 0	\$ 16,368	\$ 16,368	\$ 0
Deferred Outflow	25,972	326	26,298	0
Accounts Payable	1,570	37	1,607	0
Accrued Payroll Liabilities	10,670	2,858	13,528	0
Due within one year				
Notes Payable	0	18,295	18,295	0
Due in more than one year				
Notes Payable	0	279,267	279,267	0
Total Liabilities	<u>38,212</u>	<u>317,151</u>	<u>355,363</u>	<u>0</u>
Net Position:				
Net Investment in Capital Assets	212,144	1,100,429	1,312,573	0
Restricted for:				
Street & Alley	18,723	0	18,723	0
Cemetery	13,851	0	13,851	0
Municipal Court	25,174	0	25,174	0
Drug Law Enforcement	387	0	387	0
Police Special	32,456	0	32,456	0
Capital Improvement	493	0	493	0
Emergency Management	5,643	0	5,643	0
Verden Festival	100	0	100	0
Court Technology	4,670	0	4,670	0
Grant Funds	(17,825)	0	(17,825)	0
Public Works Authority	0	297,562	297,562	0
Meter Fund	0	2,815	2,815	0
Unrestricted	81,027	(263,560)	(182,533)	259
Total Net Position	<u>376,843</u>	<u>1,137,246</u>	<u>1,514,089</u>	<u>259</u>
Total Liabilities and Net Position	<u>\$ 415,055</u>	<u>\$ 1,454,397</u>	<u>\$ 1,869,452</u>	<u>\$ 259</u>

Please see accompanying notes to the financial statements.

Town of Verden, Oklahoma
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
					Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Verden Economic Development Authority
Primary Government								
Governmental Activities:								
General Government	\$ 221,221	\$ 2,930	\$ 10,053	\$ 60,340	\$ (147,898)	\$ 0	\$ (147,898)	
Public Safety - Police	325,325	62,023	0	0	(263,302)	0	(263,302)	
Judicial and Legal - Municipal Court	44,118	387,586	0	0	343,468	0	343,468	
Public Safety - Fire	28,373	0	0	0	(28,373)	0	(28,373)	
Court Technology	4,061	4,985	0	0	924	0	924	
Street and Public Works - Streets	9,227	0	0	0	(9,227)	0	(9,227)	
Cemetery	4,800	2,701	1,000	0	(1,099)	0	(1,099)	
Grant Funds	0	0	141,117	0	141,117	0	141,117	
Total Governmental Activities	637,125	460,225	152,170	60,340	35,610	0	35,610	
Business-Type Activities:								
Water	205,244	136,549	226,995	0	0	158,300	158,300	
Sewer	74,530	49,585	0	0	0	(24,945)	(24,945)	
Garbage	49,325	89,299	0	0	0	39,974	39,974	
Miscellaneous	19,904	13,242	0	0	0	(6,662)	(6,662)	
Total Business-Type Activities	349,003	288,675	226,995	0	0	166,667	166,667	
Total Primary Government	\$ 986,128	\$ 748,900	\$ 379,165	\$ 60,340	35,610	166,667	202,277	
Component Unit:								
Verden Econ. Develop. Authority	\$ 0	\$ 0	\$ 0	\$ 0				\$ 0
Total Component Unit	\$ 0	\$ 0	\$ 0	\$ 0				0
General Revenues:								
Taxes:								
Sales Tax					125,262		125,262	0
Use Tax					48,954		48,954	0
Franchise Tax					14,242		14,242	0
Alcoholic Beverage Tax					6,726		6,726	0
Vehicle Tax					4,113		4,113	0
Gas Excise Tax					916		916	0
Cigarette Tax					858		858	0
Miscellaneous Income					5,699		5,699	0
Interest Revenue (Expense)					882	(11,333)	(10,451)	0
Total General Revenues					207,652	(11,333)	196,319	0
Change in Net Position before Transfers					243,262	155,334	398,596	0
Net Transfers					(319,128)	319,128	0	0
Change in Net Position after Transfers					(75,866)	474,462	398,596	0
Net Position - beginning					452,709	662,784	1,115,493	259
Net Position - ending					\$ 376,843	\$ 1,137,246	\$ 1,514,089	\$ 259

Please see accompanying notes to the financial statements.

Town of Verden, Oklahoma
Balance Sheet - Modified Cash Basis
Governmental Funds
June 30, 2023

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,823	\$ 78,385	\$ 83,208
Investments	82,480	28,207	110,687
Restricted Cash	365	0	365
Due from Other Funds	0	0	0
Deferred Inflow	5,599	3,052	8,651
Total Assets	<u>\$ 93,267</u>	<u>\$ 109,644</u>	<u>\$ 202,911</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred Outflow	\$ 0	\$ 25,972	\$ 25,972
Total Liabilities	<u>0</u>	<u>25,972</u>	<u>25,972</u>
Fund Balances:			
Non-spendable	0	0	0
Restricted	0	0	0
Committed	0	0	0
Assigned	0	0	0
Unassigned	93,267	83,672	176,939
Total Fund Balances	<u>93,267</u>	<u>83,672</u>	<u>176,939</u>
Total Liabilities and Fund Balances	<u>\$ 93,267</u>	<u>\$ 109,644</u>	

Reconciliation to Statement of Net Position:

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

Capital assets used in governmental activities of \$905,821 net of accumulated depreciation of \$693,677 are not financial resources and therefore are not reported in the funds.	212,144
Expenditures recorded as expenses in current year, but not paid until next year	(1,570)
Accrued Payroll Liabilities items for Compensated Absences and Accrued Payroll items	<u>(10,670)</u>
<u>Total Net Position of Governmental Activities</u>	<u>\$ 376,843</u>

Please see accompanying notes to the financial statements.

Town of Verden, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Fines	\$ 0	\$ 439,894	\$ 439,894
Tax Revenue	196,042	5,029	201,071
Grants	70,393	141,117	211,510
Impound Fees	0	14,700	14,700
Miscellaneous Income	5,123	576	5,699
Lot Sales	0	2,701	2,701
Permits & Licenses	2,280	0	2,280
Donations	0	1,000	1,000
Interest	458	424	882
Community Building	650	0	650
Total Revenues	<u>274,946</u>	<u>605,441</u>	<u>880,387</u>
EXPENDITURES			
Current:			
Public Safety - Police	300,776	16,031	316,807
General Government	209,421	0	209,421
Municipal Court	0	43,325	43,325
Public Safety - Fire	25,047	0	25,047
Streets	0	8,877	8,877
Cemetery	0	4,800	4,800
Court Technology	0	4,061	4,061
Debt service:			
Principal	0	0	0
Capital Outlay	19,825	62,355	82,180
Total Expenditures	<u>555,069</u>	<u>139,449</u>	<u>694,518</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(280,123)</u>	<u>465,992</u>	<u>185,869</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	305,613	14,095	319,708
Transfers Out	(58,003)	(580,833)	(638,836)
Total Other Financing Sources (Uses)	<u>247,610</u>	<u>(566,738)</u>	<u>(319,128)</u>
Net Change in Fund Balances	(32,513)	(100,746)	(133,259)
<u>Fund Balances - beginning</u>	<u>125,780</u>	<u>184,418</u>	<u>310,198</u>
<u>Fund Balances - ending</u>	<u>\$ 93,267</u>	<u>\$ 83,672</u>	<u>\$ 176,939</u>

Please see accompanying notes to financial statements.

Town of Verden, OK
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ (133,259)
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Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlay as expenditures. However, in
the Statement of Activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense. This is the amount
by which capital outlay exceeded depreciation in the current period.

Capital Outlay	\$ 82,180	
Depreciation	<u>(12,547)</u>	
		69,633

Payroll liabilities not reported of governmental statements.

Compensated Absences	(6,474)	
Accrued Payroll	<u>(4,196)</u>	
		(10,670)

Expenditures recorded as expenses in current year, but not paid until
next year

	<u>(1,570)</u>	
		<u>(1,570)</u>

Change in Net Assets of governmental activities	<u><u>\$ (75,866)</u></u>
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Town of Verden, Oklahoma
Verden Public Works Authority
Statement of Net Position - Modified Cash Basis
Proprietary Fund
June 30, 2023

ASSETS

Current assets:

Cash and Cash Equivalents	\$ 32,423	
Accounts Receivable, Net	22,888	
Due from Other Funds	1,095	
Prepaid Expenses	<u>0</u>	
Total Current Assets		\$ 56,406

Noncurrent assets:

Capital assets, net of accumulated depreciation	<u>1,397,991</u>	
Total Noncurrent Assets		1,397,991

Other assets:

Restricted Cash and Cash Equivalents	<u>0</u>	
Total Other Assets		<u>0</u>

Total Assets		<u><u>\$ 1,454,397</u></u>
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LIABILITIES AND NET POSITION

Liabilities:

Current Liabilities:

Customer Deposits	\$ 16,368	
Notes Payable, current portion	18,295	
Due to Other Funds	326	
Accrued Payroll Liabilities	2,858	
Accounts Payable	<u>37</u>	
Total Current Liabilities		\$ 37,884

Noncurrent Liabilities:

Notes Payable, less current portion	<u>279,267</u>	
Total Noncurrent Liabilities		<u>279,267</u>
Total Liabilities		317,151

Net Position:

Net investment in Capital Assets	1,100,429	
Restricted for Meter Deposits	2,815	
Restricted for Debt Service	297,562	
Unrestricted	<u>(263,560)</u>	
Total Net Position		<u>1,137,246</u>

Total Liabilities and Net Position		<u><u>\$ 1,454,397</u></u>
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Please see accompanying notes to the financial statements.

Town of Verden, Oklahoma
Verden Public Works Authority
Statement of Revenues, Expenses, and Changes in Net Position - Modified Cash Basis
Proprietary Fund
Year Ended June 30, 2023

Operating Revenues:

Grant Revenue	\$ 226,995	
Water Revenue	107,247	
Garbage Revenue	89,299	
Sewer Revenue	49,585	
Water Tower Revenue	29,302	
Miscellaneous Income	13,242	
Total Operating Revenues	<u>515,670</u>	\$ 515,670

Operating Expenses:

Personal Services	103,740	
Repairs and Maintenance	67,257	
Operating Supplies	58,884	
Depreciation	54,093	
Garbage Service Expense	49,325	
Telephone and Utilities	12,252	
Insurance	3,452	
Total Operating Expense	<u>349,003</u>	
Operating Income		166,667

Nonoperating Revenues (Expenses):

Interest Income	334	
Interest and Fiscal Charges	<u>(11,667)</u>	
Net Nonoperating Revenues (Expenses)		<u>(11,333)</u>
Income before Transfers		155,334
Net Transfers		<u>319,128</u>
<u>Net Income (Loss)</u>		474,462
<u>Net Position - beginning</u>		<u>662,784</u>
<u>Net Position - ending</u>		<u><u>\$ 1,137,246</u></u>

Please see accompanying notes to the financial statements.

Town of Verden, Oklahoma
Verden Public Works Authority
Statement of Cash Flows - Modified Cash Basis
Proprietary Fund
Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 252,450	
Grant Revenue	226,995	
Miscellaneous Revenue	12,147	
Payments to Suppliers	(191,133)	
Payments to Employees	(100,882)	
Net Cash Provided by Operating Activities		\$ 199,577

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Transfers in from other funds	258,738	
Principal paid on Capital Debt	(18,538)	
Interest paid on Capital Debt	(11,667)	
Net Cash Used by Capital and Related Financing Activities		228,533

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of Capital Assets	(550,133)	
Interest Income	334	
Net Cash Provided by Investing Activities		(549,799)
Net Increase (Decrease) in Cash and Cash Equivalents		(121,689)
<u>Cash and Cash Equivalents - beginning</u>		<u>154,112</u>
<u>Cash and Cash Equivalents - ending</u>		<u>\$ 32,423</u>

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:

Operating Income	\$ 166,667	
Adjustments to Reconcile Operating Income to Cash		
Provided by Operating Activities:		
Depreciation Expense	54,093	
Change in Current Assets and Current Liabilities:		
Decrease/(Increase) in Assets	(26,316)	
(Decrease)/Increase in Liabilities	5,133	
Net Cash Provided by Operating Activities	\$ 199,577	

Please see accompanying notes to the financial statements.

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Verden, Oklahoma (the “Town”) operates the administrative, streets and alley, cemetery maintenance and care, municipal court, drug law enforcement, police, capital improvement, emergency management, Verden festival and court technology activities of the Town. The Town of Verden is located in Grady County, Oklahoma and is governed by a five-member board (including the mayor) elected by the citizens of the Town of Verden, Oklahoma.

The accounting policies and presentation of the basic financial statements of the Town have been prepared in conformity with the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles, as applicable to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

A. Financial Reporting Entity

In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town’s financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. The Town’s financial reporting entity is comprised of the following:

Primary Government:	Town of Verden
Blended Component Unit:	Verden Public Works Authority
Discretely Presented Component Unit:	Verden Economic Development Authority

Blended Component Units:

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit’s fund is blended into those of the Town by appropriate activity type to comprise the primary government presentation.

The Verden Public Works Authority was created to finance, develop and operate the following utility services activities: water, sewer, and garbage. The current Town Council serves as the governing body (Trustees) of the Public Works Authority. The Public Works Authority is reported as proprietary fund.

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Discretely presented component units:

Discretely presented component units are separate legal entities that meet the component unit criteria above but do not meet the criteria for blending. Currently, the Town has the Verden Economic Development Authority.

The Verden Economic Development Authority develops land and buildings within the Town's jurisdiction for use by the public. The component unit is financially accountable to the Town, the Town's governing body serves as the trustees for these public trusts, and they are all managed by the same management team of the Town. The Economic Development Authority does not issue separate financial statements. The component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

B. Basis of Presentation and Accounting

The Town's basic financial statements consist of government-wide statements, including the statement of net position and statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements:

The government-wide focus is on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The statement of net position and statement of activities display information about the Town as a whole.

These statements include the financial activities of the primary government. The effect of interfund activity has been removed from these statements. The government-wide statement of activities reflects both expenses and net cost of each function of the Town's governmental activities. Program revenues include charges paid by a recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each town function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements:

The financial transactions of the Town are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Fund financial statements are provided for governmental, proprietary, and fiduciary funds. The emphasis of fund financial statements is on major governmental and proprietary funds; therefore, each is displayed in a separate column. All remaining governmental are aggregated and presented as nonmajor funds.

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for all or most of a Town's general activities.

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Operating revenues in the proprietary funds are those that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments. As such, fiduciary funds are not reported in the government-wide statements. Currently, the Town does not have any fiduciary funds.

C. Measurement Focus

The government-wide statements report using the economic resources measurement focus. Proprietary and fiduciary fund financial statements also report using this same focus.

Governmental fund financial statements report using the current financial resources measurement focus. Since the governmental fund financial statements are presented on a different measurement focus than the government-wide statements (due mainly to inclusion of capital assets and long-term debt activity in the city-wide presentation), a reconciliation is presented, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

Basis of Accounting:

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported in the financial statements. The Town maintains its accounting records for all funds on the modified cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

Modified cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

Proceeds from long-term debt borrowings are included as other financing sources on the fund financial statements on the date received.

Operating revenue reported in proprietary fund financial statements includes revenue and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Fund Types and Major Funds:

The Town reports the following major governmental fund:

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

The Town reports the following major enterprise fund:

The Public Works Authority is used to account for the revenues and expenses associated with providing utility services to the Town.

D. Cash and Investments

The Town is statutorily limited to investing public funds in insured checking accounts, certificates of deposit, insured savings accounts, savings certificates and U.S. or Oklahoma government obligations. Certificates of deposit are reported at cost.

The Town is also required to secure collateral for invested funds in excess of amounts insured by the Federal Deposit Insurance Corporation or Federal Savings & Loan Insurance Corporation. Acceptable collateral is primarily limited to federal, state, and local government obligations.

E. Interfund Activities and Balances

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. It is the Town's policy to eliminate interfund transfers and balances in the statement of activities and net position to avoid grossing up balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfer and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

F. Inventories

Inventories of goods and supplies on hand at year end are not material for the primary government. Therefore, purchases of inventory type items are recorded as expenditures or expenses at the time purchased, and no balances for such inventories on hand are reported.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, right of ways, and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in government-wide or fund financial statements. In the government-wide and proprietary

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in process (if any), buildings, building improvements, machinery and equipment, as well as infrastructure. Capital assets are reported at actual or estimated historical cost.

Both the Town and PWA did not have any policy regarding classifying a purchase as a capital asset or an expense.

The cost of normal maintenance and repair that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Intangible assets and capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Assets</u>	<u>Years</u>
Infrastructure	10 - 40
Buildings	30 - 40
Building Improvements	7 - 40
Improvements	7 - 40
Machinery and equipment	5 - 15

H. Compensated Absences

Under terms of Town personnel policies, Town employees are granted comp time, vacation and sick leave in varying amounts. Under the modified cash basis of accounting, the Town does not record any accrued compensated absences on the governmental fund financial statements. Those benefits utilized in the current year are recorded through payroll.

In the event of termination or resignation, an employee is paid for accumulated vacation time. Employees can carry over 80 hours of vacation hours. The estimated liabilities for vested benefits also include salary related payments such as employment taxes. Governmental funds report only the matured compensated absences payable to currently terminating or retiring employees.

I. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund, statement of net position.

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

J. Concentration of Credit Risk

All users of the Town's utility services are located within the same geographic area within Grady County, Oklahoma.

K. Fund Equity

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of "restricted" or "net investment in capital assets." It is the Town's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements:

Fund balance is the difference between assets and liabilities in a governmental fund. The Town reports a governmental fund's fund balance into the following classifications:

- a. *Nonspendable* - includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements. The Town currently reports no nonspendable fund balance.
- b. *Restricted* - includes amounts that can be spent only for specific purposes because of the Town Charter, Town Code, state or federal laws, or externally imposed conditions by grantors, creditors, or donors.
- c. *Committed* - includes amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution. The Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council. The Town currently reports no committed fund balance.
- d. *Assigned* - includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Town currently reports no assigned fund balance.

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

- e. Unassigned - includes all spendable amounts not included in other classifications.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Proprietary fund equity is classified in the same categories and manner as the government-wide statements.

The City presents its fund balance in accordance with the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

L. Program Revenues

Charges for services include revenues based on exchange or exchange-like transactions, namely charges for services provided by the Town. Program specific grants and contributions (operations and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program, namely donations received from third-parties or state grants received for programs operations.

M. Related Party Transactions

There were no material related party transactions with Town officials or employees during the year ended June 30, 2023.

N. Use of Estimates

The preparation of the basic financial statements in conformity with the modified cash basis of accounting requires the Town's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and/or amounts of reported revenues and expenditures during the reporting period. Actual results could differ from those estimates.

O. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers all demand accounts, which are highly liquid investments, to be cash. Cash in excess of current requirements is invested in interest-bearing certificates of deposit and is considered to be an investment.

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

P. Budget

The Town's budget represents appropriations originally authorized and any subsequent revisions that were officially adopted during the fiscal year. The Town's budget is also prepared under the modified cash basis of accounting. In accordance with Oklahoma law, all remaining unexpended appropriations lapse at year end.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenues) until that time. As of June 30, 2023, the Town is showing deferred inflows in the amount of \$1,241 for governmental activities.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditure) until then. The Town currently has no items that qualify for reporting as deferred outflows of resources.

R. Recent Accounting Pronouncements

Governmental Accounting Policies Adopted During Current Year

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Town adopted GASB 87 on July 1, 2022, for the June 30, 2023, reporting year. The adoption of GASB 87 did not have a significant impact on the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides accounting and financial reporting guidance for the governmental end users of subscription-based information technology arrangements (SBITAs). GASB 96 defines an SBITA, establishes right-to-use assets and corresponding liabilities, and provides capitalization criteria and the note disclosures required for SBITAs. The Town adopted GASB 96 on July 1, 2022, for the June 30, 2023, reporting year. The adoption of GASB 96 did not have a significant impact on the financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). GASB 99 is a technical omnibus statement that addresses issues or concerns from previous statements that were discovered during implementation and application of those statements. GASB 99 covers several

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

topics including but not limited to, financial guarantees, derivatives, leases, non-monetary transactions, future revenue pledges and terminology updates. The Town adopted the sections that were effective immediately on July 1, 2022, for the June 30, 2023, reporting year. The remaining sections were adopted by the Town on July 1, 2023, for the June 30, 2024, reporting year, as required by GASB 99. The City does not expect GASB 99 to have a significant impact on the financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100). GASB 100 proscribes accounting and financial reporting for accounting changes and error corrections to the financial statements. GASB 100 defines what constitutes an accounting change versus a change in accounting principle or error correction and outlines the appropriate note disclosures in each circumstance. The Town adopted GASB 100 on July 1, 2023, for the June 30, 2024, reporting year. The Town does not expect GASB 100 to have a significant impact on the financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 outlines the definition of compensated absences and sets forth the accounting and financial reporting for compensated absence liabilities. GASB 101 outlines that leave accrued should be measured using the employees pay rate at the financial statement date and that certain salary related payments, such as Social Security and Medicare, should be included in such a measurement. The Town will adopt GASB 101 on July 1, 2024, for the June 30, 2025, reporting year. The Town has not determined the impact that GASB 101 will have on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash Deposits

The Town's governmental and proprietary funds' cash deposits consist of checking accounts. These deposits are stated at cost. The Town is authorized by state statute to invest in obligations of the United States of America.

At June 30, 2023, the carrying amount and the bank balance of the governmental funds' cash deposits were \$82,997. At June 30, 2023, the carrying amount and the bank balance of the proprietary funds' cash deposits were \$(5,810). Those cash deposit amounts do not include cash on hand of \$120 in the General Fund.

Investments

The Town invests excess cash into interest-bearing certificates of deposit, which are stated at cost. At June 30, 2023 the carrying amount of those investments were \$110,687 in the governmental funds and \$19,050 in the proprietary funds.

At June 30, 2023, the governmental and proprietary funds held the following deposits of unrestricted funds:

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Unrestricted Cash and Cash Equivalents

Governmental Funds:

Community Bank of Oklahoma: Police Special	\$ 31,848
Community Bank of Oklahoma: Municipal Court	27,700
Community Bank of Oklahoma: Cemetery Care	6,509
Community Bank of Oklahoma: Emergency Maintenance	5,643
Community Bank of Oklahoma: General	4,473
Community Bank of Oklahoma: Cemetery Maintenance	2,407
Community Bank of Oklahoma: Verden Festival	2,226
Community Bank of Oklahoma: Street & Alley	751
Community Bank of Oklahoma: Capital Improvement	493
Community Bank of Oklahoma: Drug Law Enforcement	387
Community Bank of Oklahoma: Verden Economic Development	259
Community Bank of Oklahoma: Grants	201
Petty Cash	120
Community Bank of Oklahoma: Court Technology	100
Total	<u>\$ 83,117</u>

Enterprise Funds:

Community Bank of Oklahoma: SWFD Reserve	\$ 10,350
Community Bank of Oklahoma: Public Works Authority	<u>(16,160)</u>
Total	<u>\$ (5,810)</u>

At June 30, 2023, the proprietary funds held the following deposits of restricted funds:

Restricted Cash, Cash Equivalents and Investments

Community Bank of Oklahoma: Meter Deposit	<u>\$ 19,184</u>
Total	<u>\$ 19,184</u>

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

At June 30, 2023, the governmental and proprietary funds held the following certificate of deposits:

Unrestricted Investments	<u>Amount</u>
Governmental Funds:	
Community Bank of Oklahoma: CD #10833	\$ 82,480
Community Bank of Oklahoma: CD #10985	23,272
Community Bank of Oklahoma: CD #10988	19,050
Community Bank of Oklahoma: CD #10987	4,935
Total	<u>\$ 129,737</u>

There were deposits of restricted funds in the governmental funds at June 30, 2023 in the amount of \$365.

Deposits and Investment Risks:

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Town’s name.

The Town does not have a formal investment policy as it relates to custodial credit risk. Acceptable collateral is limited to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee.

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk for their governmental and proprietary funds.

As of June 30, 2023, the Town’s deposits are classified in the following categories:

- A. Insured or collateralized with securities held by the entity or by its agent in the entity’s name.
- B. Collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name.
- C. Uncollateralized.

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

	A	B	C
Governmental Funds	\$ 82,997	\$ 0	\$ 120
Proprietary Funds	13,374	0	0
Total	<u>\$ 96,371</u>	<u>\$ 0</u>	<u>\$ 120</u>

Investment Credit Risk – State law limits the investments available to the Town and is described below.

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with instate financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d.

Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The Town has no formal policy limiting investments based on credit rating but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations rating agencies. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

If applicable, the Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets identical assets; Level 2 inputs are significant other observable inputs. The valuations for Level 2 measurements are determined using quoted prices for similar assets or liabilities in active markets;

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Level 3 inputs are significant unobservable inputs. The Town currently has no investments that require a fair value measurement.

NOTE 3 – ACCOUNTS RECEIVABLE

The Verden Public Works Authority has accounts receivable from utility services in the amount of \$46,819. Management does not consider the entire amount of accounts receivable to be fully collectible. Accordingly, an allowance for doubtful accounts in the amount of \$23,931 has been computed on the accounts receivable balance, resulting in accounts receivable, net in the amount of \$22,888.

The changes in the accounts receivable and allowance for doubtful accounts balances during the fiscal year ending June 30, 2023 were as follows:

	Accounts Receivable	Allowance for Doubtful Accounts
Balance, July 1, 2022	\$ 45,529	\$ 0
Current Year Changes	1,290	23,931
Balance, June 30, 2023	<u>\$ 46,819</u>	<u>\$ 23,931</u>

NOTE 4 – DEFERRED INFLOWS OF RESOURCES

The deferred inflows in the amount of \$1,241 in the governmental funds financial statement represent the escrow amount left on deposit with OMAG, which is to be disbursed or applied to outstanding premium balances at a later period.

NOTE 5 – CHANGES IN CAPITAL, LEASE AND INTANGIBLE ASSETS

Changes in governmental capital assets during the year ending June 30, 2023, were as follows:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Government Activities:				
Cemetery	\$ 1,500	\$ 0	\$ 0	\$ 1,500
Municipal Court	0	5,610	0	5,610
Streets & Alley	11,672	0	0	11,672
General Government	51,777	19,825	0	71,602
Community Building	85,500	0	0	85,500
Police Department	68,373	19,151	0	87,524
Fire Department	642,413	0	0	642,413
Accumulated Depreciation	(681,130)	(12,547)	0	(693,677)
Governmental Net Capital Assets	<u>\$ 180,105</u>	<u>\$ 32,039</u>	<u>\$ 0</u>	<u>\$ 212,144</u>

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Changes in proprietary capital, lease and intangible assets during the year ending June 30, 2023, were as follows:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Business Type Activities:				
Water/Sewer Improvements	\$ 1,038,295	\$ 70,000	\$ 0	\$ 1,108,295
Water/Sewer Infrastructure	318,133	450,015	0	768,148
Water/Sewer Land	26,000	0	0	26,000
Water/Sewer Building	133,252	0	0	133,252
Water/Sewer Vehicles & Equipment	86,299	30,118	0	116,417
Accumulated Depreciation	(700,028)	(54,093)	0	(754,121)
Business Type Net Capital Assets	<u>\$ 901,951</u>	<u>\$ 496,040</u>	<u>\$ 0</u>	<u>\$ 1,397,991</u>

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Government Activities:	
Fire Department: Depreciation	\$ 3,326
General Government: Depreciation	3,756
Police Department: Depreciation	4,322
Municipal Court: Depreciation	793
Streets & Alley: Depreciation	350
Total	<u>\$ 12,547</u>
Business Type Activities:	
Water & Sewer: Depreciation	\$ 54,093
Total	<u>\$ 54,093</u>

NOTE 6 – CUSTOMER DEPOSITS

The Town has an established policy for the reimbursement of customer deposits for their utility services. Changes to the customer deposits during the year ending June 30, 2023, were as follows:

	Customer Deposits
Balance, July 1, 2022	\$ 14,130
Current Year Changes	2,238
Balance, June 30, 2023	<u>\$ 16,368</u>

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 7 – ACCOUNTS PAYABLE

As of June 30, 2023, the Verden Public Works Authority had Accounts Payable in the total amount of \$537, which consists of obligations to various suppliers and creditors for goods and services received on or before June 30, 2023, that have not been paid for by the end of the fiscal year.

NOTE 8 – ACCRUED PAYROLL AND COMPENSATED ABSENCES LIABILITIES

The paycheck on July 10, 2023, was for the pay period from June 26 – July 10, 2023. Therefore, part of that is recorded as accrued payroll as of June 30, 2023, in the proprietary fund. Additionally, the Verden Public Works Authority records an accrued compensated absences liability for accumulated vacation time (for all eligible employees regardless of the period of employment) and for sick leave (only for employees that have been employed for at least 5 years before the end of the employment).

As of June 30, 2023 the Town's proprietary fund had accrued payroll liabilities in the amount of \$1,176 and an accrued compensated liability balance in the amount of \$2,122.

NOTE 9 – LONG-TERM DEBT

Public Works Trust Authority – Notes Payable

On November 14, 1997, the Town of Verden borrowed \$132,300 to finance the fire station project. This note has a fixed interest rate of 3.125% for a total of 480 months.

On January 9, 2014, the Town of Verden borrowed \$78,000 to finance a well improvement project. This note has a fixed interest rate of 4.875% for a total of 480 months.

On May 17, 2022, the Town of Verden borrowed \$160,000 from Community Bank of Oklahoma to finance the purchase of a new City Hall. This note has a fixed interest rate of 5% for a total of 120 months.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

	<u>As of July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>As of June 30, 2023</u>
Notes Payable - USDA #1	\$ 41,071	\$ 0	\$ (2,497)	\$ 38,574
Notes Payable - USDA #2	115,029	0	(2,257)	112,772
Notes Payable - Community Bank	160,000	0	(13,784)	146,216
Total	<u>\$ 316,100</u>	<u>\$ 0</u>	<u>\$ (18,538)</u>	<u>\$ 297,562</u>

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

The annual debt service requirements to maturity for this note payable are as follows:

USDA Rural Development			
Year	Principal	Interest	Total
2024	\$ 2,618	\$ 1,822	\$ 4,440
2025	2,748	1,692	4,440
2026	2,885	1,555	4,440
2027	3,029	1,411	4,440
2028	3,181	1,259	4,440
2029 +	24,113	15,847	39,960
Total	<u>\$ 38,574</u>	<u>\$ 23,586</u>	<u>\$ 62,160</u>

USDA Rural Development			
Year	Principal	Interest	Total
2024	\$ 2,323	\$ 3,497	\$ 5,820
2025	2,396	3,424	5,820
2026	2,472	3,348	5,820
2027	2,551	3,269	5,820
2028	2,631	3,189	5,820
2029 +	100,399	45,101	145,500
Total	<u>\$ 112,772</u>	<u>\$ 61,828</u>	<u>\$ 174,600</u>

Community Bank of Oklahoma			
Year	Principal	Interest	Total
2024	\$ 13,355	\$ 7,010	\$ 20,365
2025	14,038	6,327	20,365
2026	14,756	5,609	20,365
2027	15,511	4,854	20,365
2028	16,305	4,060	20,365
2029 +	72,251	9,205	81,456
Total	<u>\$ 146,216</u>	<u>\$ 37,065</u>	<u>\$ 183,281</u>

Interest Expense

Interest expense on long-term debt of \$11,667 was reported in the business-type activities.

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 10 – FUND EQUITY

During the fiscal year ending June 30, 2023, the Town had the following Non-spendable, Restricted, Committed, Assigned, and Unassigned Fund Balances:

Government Activities:

a. Non-spendable

The Town had no non-spendable funds as of June 30, 2023.

b. Restricted

Fund	Amount
Non-major Governmental Funds:	
Street & Alley	\$ 18,723
Cemetery	13,851
Municipal Court	25,174
Drug Law Enforcement	387
Police Special	32,456
Capital Improvement	493
Emergency Management	5,643
Verden Festival	100
Court Technology	4,670
Grant Funds	(17,825)
Total Non-major Governmental Funds:	83,672
Total Restricted Funds	<u>\$ 83,672</u>

c. Committed

The Town had no committed funds as of June 30, 2023.

d. Assigned

The Town had no assigned funds as of June 30, 2023.

e. Unassigned

Fund	Amount
General	\$ 81,027
Total Unassigned Funds	<u>\$ 81,027</u>

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 11 – PENSION PLAN

In the fiscal year ending June 30, 2023, the Town had a Defined Contribution Plan (the “Plan”) with OMRF (Oklahoma Municipal Retirement Fund). Employees qualify for participation in the Plan if they are working full-time. All accounts are immediately vested and nonforfeitable.

The Plan requires all participating employees to contribute 5% of their wages and the Town contributes 5% of the employees’ wages.

For the year ended June 30, 2023, the following required contributions were made:

For the Year			
<u>Ending</u>	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
2023	\$ 13,752	\$ 13,752	\$ 27,504

The Verden Police retirement match expenses are shown in the governmental activities (General Fund) in the amount of \$12,673, and the Verden Public Works retirement match expenses are shown in the proprietary activities (Public Works Authority) in the amount of \$5,464.

All firefighters participate in the Statewide Oklahoma Firefighter’s Pension and Retirement System. The Town contributes to this plan for each firefighter in accordance with Oklahoma Statutes. For 2023, the Town contributed \$720.00 to this plan.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grant Audit

The Town receives grant funds from various Federal and State agencies during the normal course of operations. These grants are subject to review and audit by agents of the appropriate federal or state agency, 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.

Litigation

The financial statements do not include any provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, cities and towns generally establish a sinking fund to satisfy legal judgments rendered against them. Tax revenues are then specifically assessed for payment of these claims which have been reduced to judgment. Such claims are generally paid through these special tax assessments over a three (3) year period.

NOTE 13 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters for which the Town carries commercial insurance. Also, all personnel responsible for custody of cash were bonded during the fiscal year.

Town of Verden, Oklahoma
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

There have been no significant reductions in coverage from the prior year. Claims have not exceeded coverage in the current year or either of the two previous years.

NOTE 14 – DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through May 10, 2024, the date of which the financial statements were available to be issued. The effect of the following items on the financial statements of the component unit have not been evaluated:



**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***

Board of Trustees
Town of Verden
Verden, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Verden, Oklahoma, 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, and have issued our report thereon dated May 10, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Verden, 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. During our audit we, did not identify a deficiency in internal control that we consider to be a significant deficiency.

Our consideration of internal control 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. Given these limitations, during our audit we

identified 4 deficiencies in internal control that we consider to be material weaknesses. It is identified in the following schedule as 2023-1, 2023-2, 2023-3, and 2023-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Verden, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Purpose of this 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Furrh & Associates, PC

FURRH & ASSOCIATES, PC

Lawton, Oklahoma

May 10, 2024

Town of Verden, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2023

Reportable Conditions of Internal Control, Compliance and Other Matters

2023-1 Improper Tracking of Unused Vacation Time

Condition – Unused vacation time is not being properly tracked by the accounting software.

Effect – The Town could pay out the wrong amount of vacation time to employees.

Cause – Accounting personnel did not know how to correct accounting software.

Criteria – Prudent accounting practices require vacation time to be tracked.

Recommendation – We recommend that either the accounting software is corrected, or manual tracking be implemented.

Management response – Management is working on correcting the proper tracking of the vacation time. We are evaluating the software and making the corrections necessary to eliminate this issue. Management is also going to purchase new Budget, Payroll, Utility and Court software, not only to find a more user-friendly avenue but the current software is becoming obsolete this coming year.

2023-2 Improper Payment of Payroll Taxes

Condition – The accounting department did not review the changes in timing for tax due dates.

Effect – The Town paid penalties to the Internal Revenue Service, Oklahoma Tax Commission, and the Oklahoma Employment Security Commission.

Cause – The Town Clerk did not review updated tax payroll records for timing changes.

Criteria – Tax authorities have specific deadlines for payroll tax payments.

Recommendation – We recommend that the Town Clerk review payroll tax reporting requirements on a regular basis.

Management response – We have been reviewing the payroll requirements and are adhering to them, so as not to have to pay penalties. We are purchasing new software to assist in this. The current software has periodic manual updates, the system we are evaluating is a web-based system will update as required.

Town of Verden, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2023

2023-3 Past Due Accounts Were Not Disconnected

Condition – Multiple citizens and Town employees had past due accounts and their utility services did not get shut off.

Effect – The Town did not receive adequate revenue.

Cause – Personnel did not perform duties as instructed.

Criteria – Section 16-12. Water Rates, Fees and Charges, Letter C of the Town Ordinances.

Recommendation – We recommend that accounting personnel review town ordinances and implement them accordingly.

Management response – Management is reviewing the ordinances and are implementing them accordingly. Our personnel has changed and we are doing our best to comply with Town Ordinances.

2023-4 Lack of Documentation

Condition – The Town does not have complete records regarding expenses and permit revenue.

Effect – The Town could not locate adequate documentation for the audit.

Cause – Change in office personnel.

Criteria – Oklahoma State Statute 11 Section 22-131 requires documentation be maintained for five – ten years.

Recommendation – We recommend that a policy be implemented for the proper retention of documentation.

Management response – Management has had a change of personnel and are currently remedying this issue with the proper organization and storage of documents. A policy will be created to address this issue.

Town of Verden, OK

General Fund

Statement of Revenue, Expenditures, and Changes in Fund Balance (Modified Cash Basis)

Budget and Actual

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>				
Sales Tax	\$ 115,545	\$ 122,478	\$ 125,262	\$ (2,784)
Use Tax	47,865	50,888	48,954	1,934
Franchise Tax	11,709	11,709	14,242	(2,533)
Permits and Licenses	1,252	1,252	2,280	(1,028)
Alcohol Beverage Tax	5,669	5,669	6,726	(1,057)
Rent Revenue	315	315	650	(335)
Miscellaneous Revenue	3,770	105,212	5,123	100,089
Fire Department	1,013	1,013	0	1,013
Tobacco Tax	925	925	858	67
Grant Income	4,287	47,339	70,393	(23,054)
Fines	135,508	135,508	304,587	(169,079)
Interest	815	815	458	357
Total Revenue	328,673	483,123	579,533	(96,410)
<u>Expenditures</u>				
<u>General Government</u>				
Personal Services	166,858	207,656	152,517	55,139
Maintenance and Operations	79,665	115,097	56,904	58,193
Capital Outlay	0	0	19,825	(19,825)
Total General Government	246,523	322,753	229,246	93,507
<u>Police Department</u>				
Personal Services	215,137	267,739	237,039	30,700
Maintenance and Operations	72,267	104,409	63,737	40,672
Capital Outlay	7,000	7,000	0	7,000
Total Police Department	294,404	379,148	300,776	78,372
<u>Fire Department</u>				
Personal Services	16,552	20,599	16,170	4,429
Maintenance and Operations	10,255	14,816	8,877	5,939
Capital Outlay	0	0	0	0
Total Fire Department	26,807	35,415	25,047	10,368
Total Expenditures	567,734	737,316	555,069	182,247
<u>Revenue Over (Under) Expenditures</u>	(239,061)	(254,193)	24,464	229,729

Please see accompanying notes to the financial statements.

Town of Verden
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Other Financing Sources (Uses)</u>				
Transfer In/(Out)	<u>(54,177)</u>	<u>(51,177)</u>	<u>(56,975)</u>	<u>5,798</u>
Total Other Financing Sources (Uses)	<u>(54,177)</u>	<u>(51,177)</u>	<u>(56,975)</u>	<u>5,798</u>
<u>Revenue and Other Financing Sources</u>				
<u>Over (Under) Expenditures & Other Uses</u>	<u>(293,238)</u>	<u>(305,370)</u>	<u>(32,511)</u>	<u>(272,859)</u>
<u>Fund Balance, June 30, 2022</u>	<u>44,913</u>	<u>44,913</u>	<u>125,778</u>	<u>(80,865)</u>
<u>Fund Balance, June 30, 2023</u>	<u>\$ (248,325)</u>	<u>\$ (260,457)</u>	<u>\$ 93,267</u>	<u>\$ (353,724)</u>

Please see accompanying notes to the financial statements.

Town of Verden, OK
Nonmajor Governmental Funds
Balance Sheet
(Modified Cash Basis)
June 30, 2023

	Street & Alley	Cemetery	Municipal Court	Drug Law Enforcement	Police Special	Capital Improvement	Emergency Management	Verden Festival	Court Technology	Grant Funds	Total Non- Major Govt Funds
<u>Assets</u>											
Cash and Cash Equiv.	\$ 751	\$ 8,916	\$ 27,820	\$ 387	\$ 31,848	\$ 493	\$ 5,643	\$ 100	\$ 2,226	\$ 201	\$ 78,385
Investments	23,272	4,935	0	0	0	0	0	0	0	0	28,207
Deferred Inflows	0	0	0	0	608	0	0	0	2,444	0	3,052
Total Assets	<u>\$ 24,023</u>	<u>\$ 13,851</u>	<u>\$ 27,820</u>	<u>\$ 387</u>	<u>\$ 32,456</u>	<u>493</u>	<u>\$ 5,643</u>	<u>\$ 100</u>	<u>\$ 4,670</u>	<u>\$ 201</u>	<u>\$ 109,644</u>
<u>Liabilities</u>											
Deferred Outflows	\$ 5,300	\$ 0	\$ 2,646	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,026	\$ 25,972
<u>Fund Equity</u>											
Unrestricted	18,723	13,851	25,174	387	32,456	493	5,643	100	4,670	(17,825)	83,672
Liabilities & Equity	<u>\$ 24,023</u>	<u>\$ 13,851</u>	<u>\$ 27,820</u>	<u>\$ 387</u>	<u>\$ 32,456</u>	<u>\$ 493</u>	<u>\$ 5,643</u>	<u>\$ 100</u>	<u>\$ 4,670</u>	<u>\$ 201</u>	<u>\$ 109,644</u>

Please see accompanying notes to the financial statements.

Town of Verden, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Year Ended June 30, 2023

	Street & Alley	Cemetery	Municipal Court	Drug Law Enforcement	Police Special	Capital Improvement	Emergency Management	Verden Festival	Court Technology	Grant Funds	Total Non- Major Govt Funds
<u>Revenue</u>											
Grants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 141,117	\$ 141,117
Tax Revenue	5,029	0	0	0	0	0	0	0	0	0	5,029
Fines	0	0	387,586	0	41,295	0	6,028	0	4,985	0	439,894
Miscellaneous Income	0	0	0	0	576	0	0	0	0	0	576
Donations	0	1,000	0	0	0	0	0	0	0	0	1,000
Impound Fees	0	0	0	0	14,700	0	0	0	0	0	14,700
Lots Sales	0	2,701	0	0	0	0	0	0	0	0	2,701
Fire Service	0	0	0	0	0	0	0	0	0	0	0
Interest	58	12	186	2	166	0	0	0	0	0	424
Total Revenue	5,087	3,713	387,772	2	56,737	0	6,028	0	4,985	141,117	605,441
<u>Expenditures</u>											
Maintenance & Operations	8,877	4,800	43,325	1,028	14,518	0	485	0	4,061	0	77,094
Capital Outlay	0	0	0	0	55,828	0	0	0	6,527	0	62,355
Total Expenditures	8,877	4,800	43,325	1,028	70,346	0	485	0	10,588	0	139,449
Revenue Over (Under) Expenditures	(3,790)	(1,087)	344,447	(1,026)	(13,609)	0	5,543	0	(5,603)	141,117	465,992
Transfers (to)/from Other funds	4,500	2,000	(374,444)	0	7,000	(7,000)	0	0	595	(199,389)	(566,738)
Fund Balance, June 30, 2022	18,013	12,938	55,171	1,413	39,065	7,493	100	100	9,678	40,447	184,418
Fund Balance, June 30, 2023	<u>\$ 18,723</u>	<u>\$ 13,851</u>	<u>\$ 25,174</u>	<u>\$ 387</u>	<u>\$ 32,456</u>	<u>\$ 493</u>	<u>\$ 5,643</u>	<u>\$ 100</u>	<u>\$ 4,670</u>	<u>\$ (17,825)</u>	<u>\$ 83,672</u>

Please see accompanying notes to the financial statements.

Town of Verden, Oklahoma
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Award Amount	Received Amount	Contract Expenditures
FEDERAL AWARDS			
<u>Association of South Central Oklahoma Governments</u>			
Rural Economic Action Plan			
REAP 19	\$ 45,000	\$ 45,000	\$ 45,000
REAP 20	136,364	136,364	136,364
Total Rural Economic Action Plan	181,364	181,364	181,364
<u>American Rescue Plan Act</u>			
NEU 17131	60,340	60,340	35,500
Total American Rescue Plan Act Grant	60,340	60,340	35,500
Total Federal Awards	\$ 241,704	\$ 241,704	\$ 216,864
STATE AWARDS			
<u>Oklahoma Department of Agriculture</u>			
Forestry Services - Rural Fire Grant			
	\$ 10,053	\$ 10,053	\$ 10,053
Total State Awards	\$ 10,053	\$ 10,053	\$ 10,053

Please see accompanying notes to the financial statements.

Town of Verden, Oklahoma
Notes to Supplementary Information
June 30, 2023

Note 1 – Budgets and Budgetary Accounting

The Town's annual operating budget should represent appropriations as authorized by the Governing Board in accordance with the provisions of the Oklahoma statutes.

The Town operates under the guidelines of the "Municipal Budget Act" which allows the Governing Board to prepare its budgets based upon its estimated revenue. In addition, revisions may be made to the budget throughout the year as authorized by the Governing Board. The legal level of control of the budget is the expenditure category. The expenditure categories required by the applicable state statutes are:

1. Personal Services
2. Maintenance and Operations
3. Capital Outlays

The Town of Verden has prepared an annual operating budget for its General Fund and for the other governmental funds for the year ended June 30, 2023.