

**TOWN OF RED OAK, OKLAHOMA
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

**TOWN OF RED OAK, OKLAHOMA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

INDEPENDENT AUDITOR’S REPORT	1
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Modified Cash Basis	6
Statement of Revenues, Expenses, and Changes in Net Position – Modified Cash Basis	7
Statement of Assets, Liabilities, and Fund Balances – Modified Cash Basis, Governmental Funds.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis, Governmental Funds	9
Statement of Fund Net Position – Modified Cash Basis, Proprietary Fund	10
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis, Proprietary Fund	11
Statement of Cash Flows – Modified Cash Basis, Proprietary Fund.....	12
Notes to the Financial Statements	13
SUPPLEMENTARY INFORMATION	
Schedule 1 – Budgetary Comparison, General Fund	22
Schedule 2 – Budgetary Comparison, Street, Alley, and Fire	23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	24
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS.....	25

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Trustees
Town of Red Oak, Oklahoma
Red Oak, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and the business-type activities for the **Town of Red Oak, Oklahoma**, as of and for the year ended **June 30, 2023**, and the related notes to the financial statements, which collectively comprise the **Town of Red Oak, Oklahoma's** basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position the governmental activities and the business-type activities of the **Town of Red Oak, Oklahoma** as of **June 30, 2023**, and the respective changes in modified cash basis financial position and, where applicable, the cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of 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 Red Oak, 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 audit opinions.

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 opinion is 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.

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*Oklahoma Society of Certified Public Accountants

*Governmental Audit Quality Center

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 Red Oak, 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 Red Oak, 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 Red Oak, 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Town of Red Oak, Oklahoma's** basic financial statements. Schedule 1 – Budgetary Comparison, General Fund and Schedule 2 – Budgetary Comparison, Street, Alley, and Fire are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule 1 – Budgetary Comparison, General Fund and Schedule 2 – Budgetary Comparison, Street, Alley, and Fire 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 **March 7, 2024**, on our consideration of the **Town of Red Oak, Oklahoma's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other 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 Red Oak, Oklahoma's** internal control over financial reporting and compliance.



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March 7, 2024

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

**To the Mayor and the Board of Trustees
Town of Red Oak, Oklahoma
Red Oak, 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 and business-type activities of the **Town of Red Oak, Oklahoma** as of and for the year ended **June 30, 2023**, and the related notes to the financial statements, which collectively comprise **Town of Red Oak, Oklahoma's** basic financial statements, and have issued our report thereon dated **March 7, 2024**.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **Town of Red Oak, 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 of Red Oak, Oklahoma's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Town of Red Oak, Oklahoma's** internal control.

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

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-01 that we consider to be material weaknesses.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Town of Red Oak, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Red Oak, Oklahoma's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the **Town of Red Oak, Oklahoma's** response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The **Town of Red Oak, Oklahoma's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Hubbs & Whitehead, CPAs
Van Buren, Arkansas

March 7, 2024

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

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and investments:			
Cash	\$ 499,442	\$ 37,742	\$ 537,184
Certificates of deposit	15,831	21,555	37,386
Restricted assets:			
Restricted cash - meter deposits	-	29,708	29,708
Capital assets:			
Land	11,050	2,550	13,600
Depreciable buildings, property, equipment, and infrastructure, net of depreciation	478,164	691,876	1,170,040
 Total Assets	 \$ 1,004,487	 \$ 783,431	 \$ 1,787,918
LIABILITIES AND NET POSITION			
LIABILITIES			
Noncurrent liabilities:			
Customer deposits	\$ -	\$ 29,742	\$ 29,742
 Total Liabilities	 -	 29,742	 29,742
NET POSITION			
Invested in capital assets, net of related debt	489,214	694,426	1,183,640
Restricted	-	29,708	29,708
Unrestricted	515,273	29,555	544,828
 Total Net Position	 1,004,487	 753,689	 1,758,176
 Total Liabilities and Net Position	 \$ 1,004,487	 \$ 783,431	 \$ 1,787,918

See Independent Auditor's Report and Notes to the Financial Statements.

TOWN OF RED OAK, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2023

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense)/Revenue
GOVERNMENTAL ACTIVITIES				
General government	\$ 241,046	\$ -	\$ 62,144	\$ (178,902)
Street/alley & fire dept.	19,458	-	13,359	(6,099)
Police services	15,728	19,231	-	3,503
Library services	2,713	-	1,238	(1,475)
Total Governmental Activities	278,945	19,231	76,741	(182,973)
BUSINESS-TYPE ACTIVITIES				
Public works - water and sewer	359,353	210,746	-	(148,607)
Trash collections	41,030	44,440	-	3,410
Total Business-Type Activities	400,383	255,186	-	(145,197)
Total	\$ 679,328	\$ 274,417	\$ 76,741	\$ (328,170)
		Net (Expense) Revenue and Changes in Net Position		
		Governmental Activities	Business-Type Activities	Total
NET (EXPENSE)/REVENUE		\$ (182,973)	\$ (145,197)	\$ (328,170)
GENERAL REVENUES AND TRANSFERS IN (OUT)				
Taxes:				
Sales, use, and cigarette tax		355,882	-	355,882
Franchise tax		16,026	-	16,026
State alcoholic beverage tax		29,925	-	29,925
Interest revenues		4,515	556	5,071
Miscellaneous		2,707	-	2,707
Transfers		(149,015)	149,015	-
Total General Revenues and Transfers		260,040	149,571	409,611
CHANGE IN NET POSITION		77,067	4,374	81,441
NET POSITION, BEGINNING OF YEAR		927,420	749,315	1,676,735
NET POSITION, END OF YEAR		\$ 1,004,487	\$ 753,689	\$ 1,758,176

See Independent Auditor's Report and Notes to the Financial Statements.

TOWN OF RED OAK, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General Fund</u>	<u>Street/Alley & Fire Dept. Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 470,473	\$ 28,969	\$ 499,442
Certificates of deposit	<u>15,831</u>	<u>-</u>	<u>15,831</u>
Total Current Assets	<u>486,304</u>	<u>28,969</u>	<u>515,273</u>
Total Assets	<u><u>\$ 486,304</u></u>	<u><u>\$ 28,969</u></u>	<u><u>\$ 515,273</u></u>
LIABILITIES AND FUND BALANCES			
FUND BALANCES			
Unassigned	<u>\$ 486,304</u>	<u>\$ 28,969</u>	<u>\$ 515,273</u>
Total Fund Balances	<u>486,304</u>	<u>28,969</u>	<u>515,273</u>
Total Liabilities and Fund Balances	<u><u>\$ 486,304</u></u>	<u><u>\$ 28,969</u></u>	<u><u>\$ 515,273</u></u>

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENTS OF ASSETS, LIABILITIES, AND
FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
MODIFIED CASH BASIS**

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	<u><u>\$ 515,273</u></u>
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN THE FUNDS, CONSISTING OF:	
Land	11,050
Buildings	324,586
Machinery and equipment	<u>153,578</u>
Total Capital Assets	<u>489,214</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,004,487</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

TOWN OF RED OAK, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Street/Alley & Fire Dept. Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 396,940	\$ 4,893	\$ 401,833
Fines and forfeitures	19,231	-	19,231
Library revenue	1,238	-	1,238
Miscellaneous	2,707	13,359	16,066
Grants	62,144	-	62,144
Interest	4,515	-	4,515
	<u>486,775</u>	<u>18,252</u>	<u>505,027</u>
Total Revenues			
	<u>486,775</u>	<u>18,252</u>	<u>505,027</u>
EXPENDITURES			
General government	246,265	-	246,265
Stree/alley & fire dept.	-	46,390	46,390
Police services	16,282	-	16,282
Library services	2,713	-	2,713
	<u>265,260</u>	<u>46,390</u>	<u>311,650</u>
Total Expenditures			
	<u>265,260</u>	<u>46,390</u>	<u>311,650</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	221,515	(28,138)	193,377
OTHER FINANCING (USES)			
Operating transfers in	-	36,770	36,770
Operating transfers (out)	(185,785)	-	(185,785)
	<u>35,730</u>	<u>8,632</u>	<u>44,362</u>
CHANGE IN FUND BALANCE			
	<u>35,730</u>	<u>8,632</u>	<u>44,362</u>
FUND BALANCE, BEGINNING OF YEAR	450,574	20,337	470,911
	<u>450,574</u>	<u>20,337</u>	<u>470,911</u>
FUND BALANCE, END OF YEAR	\$ 486,304	\$ 28,969	\$ 515,273
	<u>\$ 486,304</u>	<u>\$ 28,969</u>	<u>\$ 515,273</u>
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION			
CHANGE IN FUND BALANCE, TOTAL GOVERNMENTAL FUNDS			\$ 44,362
Capital outlay included in the expenditures of the fund financial statements			85,501
Depreciation recorded in the government wide financial statements but not recorded in the fund financial statements			<u>(52,796)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES			<u>\$ 77,067</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**TOWN OF RED OAK
STATEMENT OF FUND NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2023**

ASSETS		Enterprise Fund	
CURRENT ASSETS			
Cash		\$	37,742
Certificates of deposit			<u>21,555</u>
Total Current Assets		\$	59,297
CAPITAL ASSETS			
Land			2,550
Buildings			7,600
Machinery and equipment			45,479
Water and sewer system			<u>1,874,649</u>
			1,930,278
Less: accumulated depreciation			<u>(1,235,852)</u>
Net Capital Assets			694,426
NONCURRENT ASSETS			
Restricted cash - meter deposits			<u>29,708</u>
Total Assets		\$	<u><u>783,431</u></u>
LIABILITIES AND NET POSITION			
NONCURRENT LIABILITIES			
Customer deposits		\$	<u>29,742</u>
Total Liabilities			29,742
NET POSITION			
Invested in capital assets		\$	694,426
Restricted			29,708
Unrestricted			<u>29,555</u>
Total Net Position			<u>753,689</u>
Total Liabilities and Net Position		\$	<u><u>783,431</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

TOWN OF RED OAK, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

	Enterprise Fund
REVENUES	
Water revenue	\$ 176,164
Sewer revenue	34,582
Trash revenue	<u>44,440</u>
 Total Revenues	 \$ 255,186
OPERATING EXPENSES	
Management services - water & sewer	149,867
Management services - trash	41,030
Materials & supplies	19,970
Repairs & maintenance	38,498
Salaries	89,621
Other services & charges	11,403
Depreciation	<u>49,994</u>
 Total Operating Expenses	 <u>400,383</u>
OPERATING (LOSS)	(145,197)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	556
Operating transfers in	<u>149,015</u>
 Total Non-Operating Revenues (Expenses)	 <u>149,571</u>
CHANGE IN NET POSITION	4,374
NET POSITION, BEGINNING OF YEAR	<u>749,315</u>
NET POSITION, END OF YEAR	<u><u>\$ 753,689</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

**TOWN OF RED OAK, OKLAHOMA
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers & service users	\$ 255,186
Cash payments to suppliers for goods & services	(260,768)
Cash payments to employees for services	<u>(89,621)</u>
Net Cash Flows From Operating Activities	\$ (95,203)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>556</u>
Net Cash Flows From Investing Activities	556
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(102,843)
Principal paid on long-term debt	<u>(3,125)</u>
Net Cash Flows From Capital and Related Activities	(105,968)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Meter deposits	205
Transfers in	<u>149,015</u>
Net Cash Flows From Noncapital Financing Activities	<u>149,220</u>
CHANGE IN CASH	(51,395)
CASH, BEGINNING OF YEAR	<u>118,845</u>
CASH, END OF YEAR	<u><u>\$ 67,450</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating (loss)	\$ (145,197)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:	
Depreciation	<u>\$ 49,994</u>
Total adjustments	<u>49,994</u>
Net Cash Flows From Operating Activities	<u><u>\$ (95,203)</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

**TOWN OF RED OAK, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Note 1: Summary of Significant Accounting Policies

The Town of Red Oak, Oklahoma (the Town) accounting policies and financial statement presentation conform to the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles and are recommended by the Government Financial Officers Association (GFOA) small government annual financial report model. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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 accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received by not yet paid, and accrued expenses and liabilities, including pension liabilities) are not recorded in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted by GASB, the government-wide financial statements would be presented on the accrual basis of accounting, the governmental funds would utilize the modified accrual basis of accounting, and the proprietary funds would utilize the accrual basis of accounting.

The more significant accounting policies established in the modified cash basis of accounting and used by the Town as well as a further description of departures from governmental GAAP are discussed below.

Reporting entity

The Town, for financial reporting purposes, includes all funds and authorities over which the Town council has financial accountability as defined by GASB-14 and GASB-39. Financial accountability was determined on the basis of the Town's ability to significantly influence operations, select the governing authority, and participate in fiscal management and scope of public service. On this basis, the reporting entity of the Town includes all its funds as well as the funds and accounts of the blended component unit; the Red Oak Public Works Authority (ROPWA).

The ROPWA is a public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1961, and Sections 176 to 180, for the use and benefit of the Town. The trust has as its purpose to budget, construct, plan, establish, install, enlarge, improve, equip, operate, control and regulate facilities, whether water, sewer, gas, electric or other forms or types of public and municipal services within and without the corporate boundaries of the Town. The ROPWA is governed by the trustees of the Town.

**TOWN OF RED OAK, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for the fiduciary funds of which the Town has none. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are generally organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The general fund is the primary operating fund of the Town and always classified as a major fund. This fund accounts for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund - These funds are used to account for the revenues derived from specific taxes, governmental grants, or other revenue sources which are designated to finance particular functions or activities of the Town. The Town's special revenue funds consist of the following funds: Street & Alley and Fire.

Proprietary Fund Types:

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Town's Enterprise fund consists of the ROPWA.

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.

**TOWN OF RED OAK, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

The government-wide financial statements and proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met. The Town has elected to report its financial statements on the modified cash basis.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when received. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when paid. Capital assets and long-term debt are not reported in governmental fund financial statements because they do not involve current financial resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

Budgetary Process

Annually a legally adopted budget of cash balances only is prepared for the governmental and proprietary funds. The budgets are formally approved by the Board of Trustees before filing with the State of Oklahoma. Actual expenditures within the General Fund may not legally exceed the adopted budget appropriations at the object category level within the department of a fund.

Assets, Liabilities, and Equity

Cash and Cash Equivalents:

For the purpose of the Statement of Net Position, and the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit with an original maturity of three months or less.

Certificates of Deposit:

Certificates of deposit consist of long-term certificates of deposits and are stated at cost, which approximates market unless otherwise indicated with a maturity at the time of purchase of more than three months.

Restricted Assets:

Under the terms of the bond indentures, the ROPWA must maintain certain "funds". These are not funds in the sense of fiscal and accounting entities with self-balancing sets of accounts; they merely represent mandatory asset segregation. The primary restricted assets are related to bond trustee accounts and utility meter deposits.

**TOWN OF RED OAK, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Capital Assets:

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

Government-wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Town to capitalize all assets with a cost of \$500 or greater.

Depreciation of all exhaustible capital 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 of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20 Years
Machinery and Equipment	5 – 10 Years
Infrastructure	40 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-term Debt:

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business type resources are reported as liabilities in the government-wide statements. The long-term debt currently consists of bond and notes payable by the ROPWA.

Equity Classifications:

Government-wide Statements

Equity is classified as net position and displayed in the following components:

- *Invested in Capital Assets, Net of Related Debt* - 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 improvement of those assets.
- *Restricted* - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
- *Unrestricted* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

TOWN OF RED OAK, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Governmental fund equity is classified as fund balance. Fund Balance is further classified as follows:

- *Nonspendable fund balance* represents amounts that cannot be spend because they are either not in spendable form or are legally or contractually required to be maintained intact.
- *Restricted fund balance* represents amounts that are constrained either externally by creditors (such as debt covenants), granters, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.
- *Committed fund balance* represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The Town Ordinance is the highest level of decision-making authority of the Town.
- *Assigned fund balance* represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.
- *Unassigned fund balance* is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

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

Revenues, Expenditures, and Expenses

Sales Tax:

The Town is currently receiving sales tax on each dollar. This is deposited into the general fund for the purpose of paying the operation and maintenance costs incurred by the Town.

Operating Revenues and Expenses:

Operating revenues and expenses for proprietary funds are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses:

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

**TOWN OF RED OAK, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – by character: current and capital outlay

Proprietary Fund – by operating and non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to the use of economic resources.

Interfund Transfers

Interfund receivables and payables arise from interfund transactions and are recorded by all programs affected in the period in which the transactions are executed. These receivables and payables within the same fund type are eliminated for presentation of the financial statements in the government-wide statements. Net receivables and payables between governmental activities and business-type activities are reported as internal balances and internal transfers.

Fair Value of Financial Instruments

The Town's financial instruments include cash and cash equivalents and certificates of deposit. The Town's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these investments.

Subsequent Events

Subsequent events are evaluated through March 7, 2024, the date the financial statements were available to be issued.

**TOWN OF RED OAK, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Note 2: Cash, Restricted Cash, and Certificates of Deposit

The Town is governed by the deposit and investment limitations of state law. The deposits consist of the following as of June 30, 2023:

	Bank Value	Carrying Value
Cash	\$ 529,227	\$ 537,184
Restricted cash - meter deposits	30,693	29,708
Certificates of deposit	43,070	37,386
 Total	 <u>\$ 602,990</u>	 <u>\$ 604,278</u>

Custodial Credit Risk - State law governs the requirements for managing custodial credit risk. Such law requires uninsured deposits to be secured with collateral having market value at least equal to the amount of uninsured deposits. Deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$602,990 at June 30, 2023, which were fully insured by depository insurance or secured with collateral held by the Town's agent in its name. All investments, evidenced by individual securities, are registered in the name of the Town or its component unit.

Interest Rate Risk- The Town has no formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Nonnegotiable certificates of deposit are not subject to interest rate risk, therefore their maturity dates are not provided.

Investment Credit Risk - The Town as no investment policy which limits its investment choices other than the limitation of state laws.

Concentration of Investment Credit Risk - The Town places no limit on the amount it may invest in any one issuer. At June 30, 2023, the Town had limited concentration of credit risk because the investments consist of Certificates of Deposit.

TOWN OF RED OAK, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 3: Capital Assets

Capital assets as of June 30, 2023 were as follows:

Governmental Activities:	
Land	\$ 11,050
Buildings	422,699
Machinery and equipment	457,942
	<u>891,691</u>
Less: accumulated depreciation	
Buildings	(98,113)
Machinery and equipment	(304,364)
	<u>(402,477)</u>
Net Capital Assets, Governmental Activities	<u>489,214</u>
Business-type Activities:	
Land	2,550
Buildings	7,600
Machinery and equipment	45,479
Water and sewer system	1,874,649
	<u>1,930,278</u>
Less: accumulated depreciation	
Buildings	(7,405)
Water and sewer system	(41,302)
Machinery and equipment	(1,187,145)
	<u>(1,235,852)</u>
Net Capital Assets, Business-type Activities	<u>694,426</u>
Total Net Capital Assets	<u><u>\$ 1,183,640</u></u>

Depreciation expense for the year ended June 30, 2023 was \$102,790.

**TOWN OF RED OAK, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Note 4: Contingencies

The Town is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the Town in the current and prior years. These examinations may result in required refunds by the entity to the federal grantors and/or program beneficiaries.

Note 5: 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 for which the Town purchases commercial insurance. Management believes this coverage is sufficient to preclude any significant uninsured losses to the Town.

SUPPLEMENTARY INFORMATION

TOWN OF RED OAK, OKLAHOMA
SCHEDULE 1 - BUDGETARY COMPARISON, GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 375,000	\$ 396,940	\$ 21,940
Fines and forfeitures	15,000	19,231	4,231
Library revenue	1,500	1,238	(262)
Miscellaneous	3,000	2,707	(293)
Grants	-	62,144	62,144
Interest	1,000	4,515	3,515
Total Revenues	395,500	486,775	91,275
EXPENDITURES			
General government	250,000	246,265	3,735
Police services	20,000	16,282	3,718
Library services	3,000	2,713	287
Total Expenditures	273,000	265,260	7,740
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	122,500	221,515	99,015
OTHER FINANCING (USES)			
Operating transfers (out)	(122,500)	(185,785)	(63,285)
CHANGE IN FUND BALANCE	\$ -	\$ 35,730	\$ 35,730

See Independent Auditor's Report.

TOWN OF RED OAK, OKLAHOMA
SCHEDULE 2 - BUDGETARY COMPARISON, STREET, ALLEY, AND FIRE
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Taxes	\$ 5,000	\$ 4,893	\$ (107)
Miscellaneous	<u>10,000</u>	<u>13,359</u>	<u>3,359</u>
Total Revenues	<u>15,000</u>	<u>18,252</u>	<u>3,252</u>
EXPENDITURES			
Stree/alley & fire dept.	40,000	46,390	(6,390)
OTHER FINANCING SOURCES			
Operating transfers in	<u>25,000</u>	<u>36,770</u>	<u>11,770</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 8,632</u>	<u>\$ 8,632</u>

See Independent Auditor's Report.

**TOWN OF RED OAK, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

2023-01: Segregation of Duties

Criteria: The Town should have a sufficient and properly designed internal control structure. This structure relies greatly on a proper segregation of duties between individuals. In the perfect situation, duties relating to asset custody and initiating, authorizing, recording, processing, and reporting financial data would be segregated to provide reasonable assurance that a misstatement of the Town's financial statements which is more than inconsequential would be prevented or detected and corrected.

Condition: The Town has two administrative employees and as a result does not have the personnel to assign duties and responsibilities in such a way which would segregate duties as mentioned above. The limited number of employees results in an inadequate overall internal control structure design. Specific areas affected are described below:

Cash and cash transactions – The two administrative employees, the Town Clerk and the Utility Clerk, control the initiating, recording, processing, and reporting of cash transactions. The Town's controls over cash include a monthly bank reconciliation prepared by the administrative employees.

Revenues and receivables – The Town Clerk has sole control over the processing of revenues and receivables. These revenues and receivables are recorded on a monthly basis.

Expenditures/Expenses and Accounts Payable – The Town Clerk controls the initiating, recording, processing, and reporting of expenditures/expenses. The Town requires dual signatures on all checks written, signed by the Town Clerk and the Mayor. Purchase orders and invoices are reviewed at the time of signature by all Council members; however, the Town Clerk maintains control over the checks before and after signature. The Town Clerk determines the account classification for expenditures.

Cause: Due to cost restrictions, the Town has a limited staff. Resources are not currently available for additional employees for the appropriate segregation of duties.

Effect: The lack of segregation of duties related to controls as stated above are significant deficiencies that could result in the likelihood that a material misstatement of the financial statements due to either error or fraud may occur and not be prevented or detected.

Recommendation: As the Town has limited resources available, at the current time, additional segregation of duties is not financially feasible. The Town should review its procedures and controls to determine additional controls which can be implemented in order to achieve the control objectives related to segregation of duties. The cost effectiveness of these actions should be considered in the implementation of additional controls.

Response from Management: The Town is a small governmental entity. Management is aware of the limitations in the segregation of duties but at the current time with the current level of revenues, it is not feasible to increase the segregation of duties.

**TOWN OF RED OAK, OKLAHOMA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

Finding #2022-01: Segregation of Duties was restated.