

Town of Prue, Oklahoma

Annual Financial Statements and Independent Auditor's Reports

Fiscal Year Ended June 30, 2023



TOWN OF PRUE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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Board of Trustees

Pete Burris	Mayor
Tammy Johnson	Vice-Mayor
Jorie Russell	Trustee
Larry Victory	Trustee
Edward Neyens	Trustee

Management

Angela Batson	Town Treasurer
Virginia Inman	Town Clerk/ Office Manager

**Prue Town Hall
PO Box 187
Prue, Oklahoma 74060
(918) 242-3613
FAX :(918) 242-3616**

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INDEPENDENT AUDITOR'S REPORT

-

TOWN OF PRUE, OKLAHOMA
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Elfrink and Associates, PLLC

Member of the AICPA, OSCP, and GFOA
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Tulsa, Oklahoma 74137

539-664-4662
Fax: 918-512-4280

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Board of Trustees
Town of Prue, Oklahoma

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Prue, Oklahoma ("Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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 of the governmental activities, the business-type activities, and each major fund of the Town 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 the modified cash basis of accounting described in Note 1B.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 City, 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 1B 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 1B, 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.

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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than

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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, 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 City'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 City'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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information and schedule of expenditures of federal awards but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2024, on our consideration of the Town of Prue, 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 Prue, Oklahoma's internal control over financial reporting and compliance.

Elfrink and Associates, PLLC

Elfrink and Associates, PLLC

Tulsa, Oklahoma

April 4, 2024

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**BASIC FINANCIAL STATEMENTS –
STATEMENTS OF NET POSITION AND ACTIVITIES**

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Statement of Net Position (Modified Cash Basis) – June 30, 2023

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 128,523	\$ 40,434	\$ 168,957
Total current assets	128,523	40,434	168,957
Noncurrent assets:			
Restricted cash and cash equivalents	-	14,959	14,959
Capital assets, net of depreciation	199,262	867,248	1,066,510
Total noncurrent assets	199,262	882,207	1,081,469
Total assets	327,785	922,641	1,250,426
Liabilities:			
Current liabilities:			
Lease payable current portion	6,836	-	6,836
Total current liabilities	6,836	-	6,836
Noncurrent liabilities:			
Meter deposit liability	-	15,558	15,558
Lease payable - noncurrent portion	20,284	-	20,284
Total noncurrent liabilities	20,284	15,558	35,842
Total liabilities	27,120	15,558	42,678
Net Position:			
Net investment in capital assets	172,142	867,248	1,039,390
Restricted - water improvements	-	15,356	15,356
Unrestricted	128,523	24,479	153,002
Total net position	\$ 300,665	\$ 907,083	\$ 1,207,748

See accompanying notes to the basic financial statements.

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Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			
		Charges for Services	Capital Grants	Operating Grants	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 59,028	\$ -	\$ 316,037	\$ -	\$ 257,009	\$ -	\$ 257,009	
Fire	30,856	-	-	3,076	(27,780)	-	(27,780)	
Streets and alleys	11,648	-	-	-	(11,648)	-	(11,648)	
Cemetery	823	-	-	-	(823)	-	(823)	
Parks	6,339	-	-	-	(6,339)	-	(6,339)	
Total governmental activities	108,694	-	316,037	3,076	210,419	-	210,419	
Business-type activities								
Water	176,331	88,257	-	-	-	(88,074)	(88,074)	
Sanitation	95,759	132,875	-	-	-	37,116	37,116	
Fire and ambulance	10,811	29,253	-	-	-	18,442	18,442	
Total business-type activities	282,901	250,385	-	-	-	(32,516)	(32,516)	
Total primary government	\$ 391,595	\$ 250,385	\$ 316,037	\$ 3,076	210,419	(32,516)	177,903	
General revenues:								
Taxes:								
Sales tax					61,992	-	61,992	
Franchise and public service taxes					7,993	-	7,993	
Intergovernmental revenue					21,413	-	21,413	
Investment income					129	57	186	
Donations					200	-	200	
Miscellaneous					17,657	2,313	19,970	
Transfers - internal activity					(344,117)	344,117	-	
Total general revenues and transfers					(234,733)	346,487	111,754	
Change in net position					(24,314)	313,971	289,657	
Net position - beginning					324,979	593,112	918,091	
Net position - ending					\$ 300,665	\$ 907,083	\$ 1,207,748	

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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Governmental Fund Balance Sheet (Modified Cash Basis) – June 30, 2023

	General Fund
Assets:	
Cash and cash equivalents	\$ 128,523
Total assets	<u>\$ 128,523</u>
Fund Balance:	
Fund balance:	
Unrestricted:	
Assigned:	
Fire	29,052
Streets and alleys	15,343
Cemetery	2,922
Unassigned	<u>81,206</u>
Total fund balance	<u>128,523</u>

See accompanying notes to the basic financial statements.

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Governmental Fund Statement of Revenues, Expenditures and Change in Fund Balance (Modified Cash Basis) – Year Ended June 30, 2023

	General Fund
Revenues:	
Taxes	\$ 69,985
Intergovernmental	21,413
Grant revenue	319,113
Donations	200
Investment income	129
Miscellaneous	17,657
Total revenues	<u>428,497</u>
Expenditures:	
General government	54,837
Fire	18,793
Streets and alleys	2,953
Cemetery	823
Parks	4,766
Capital outlay:	
General government	45,975
Streets and alleys	26,500
Total expenditures	<u>154,647</u>
Other financing source and use:	
Transfer to NPPWA, net	(344,117)
Payments on capital debt	(6,540)
Total other financing source and use	<u>(350,657)</u>
Net change in fund balance	(76,807)
Fund balance - beginning	205,330
Fund balance - ending	<u><u>\$ 128,523</u></u>

See accompanying notes to the basic financial statements.

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Reconciliation of Governmental Fund and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Fund balances of governmental funds	\$ 128,523
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities of \$553,262, net of accumulated depreciation of \$354,000 are not financial resources and, therefore, are not reported in the funds.	199,262
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(27,120)
Net position of governmental activities	<u>\$ 300,665</u>

Changes in Fund Balance – Change in Net Position Reconciliation:

Net changes in fund balances - total governmental funds	\$ (76,807)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital debt obligation - issuance of new capital debt obligations is recorded as capital debt proceeds in the government funds, but the proceeds create long-term liabilities in the Statement of Net Position:	
Principal payments on capital debt	<u>6,540</u>
	<u>6,540</u>
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Cash purchases of capital assets	72,475
Depreciation expense	<u>(26,522)</u>
	<u>45,953</u>
Change in net position of governmental activities	<u>\$ (24,314)</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

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Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2023

	<u>New Prue Public Works Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 40,434
Total current assets	<u>40,434</u>
Noncurrent assets:	
Restricted cash and cash equivalents	14,959
Capital assets, net of accumulated depreciation	<u>867,248</u>
Total noncurrent assets	<u>882,207</u>
Total assets	<u>922,641</u>
LIABILITIES	
Noncurrent Liabilities:	
Meter deposit liability payable from restricted assets	<u>15,558</u>
Total Noncurrent Liabilities	<u>15,558</u>
Total liabilities	<u>15,558</u>
NET POSITION	
Net investment in capital assets	867,248
Restricted - water improvements	15,356
Unrestricted	<u>24,479</u>
Total net position	<u>\$ 907,083</u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Revenues, Expenses and Change in Net Position (Modified Cash Basis)
– Year Ended June 30, 2023

	<u>New Prue Public Works Authority</u>
Operating revenues:	
Charges for sales and services:	
Water	\$ 78,322
Sanitation	132,875
Fire and ambulance	29,253
Capital improvements	9,935
Other	2,313
Total operating revenues	<u>252,698</u>
Operating expenses:	
Costs of sales and services:	
Maintenance and operations	43,744
Sanitation	95,759
Personal services	99,190
Ambulance service	10,811
Depreciation	33,397
Total operating expenses	<u>282,901</u>
Operating income (loss)	<u>(30,203)</u>
Nonoperating revenue (expense):	
Transfer from Town of Prue	344,117
Investment income	57
Total nonoperating revenue	<u>344,174</u>
Change in net position	313,971
Net position - beginning	593,112
Net position - ending	<u>\$ 907,083</u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2023

	<u>New Prue Public Works Authority</u>
Cash flows from operating activities:	
Receipts from customers	\$ 252,827
Payments to suppliers	(150,314)
Payments to employees (including benefits)	(100,419)
Net cash provided by operating activities	<u>2,094</u>
Cash from noncapital financing activities:	
Transfers to Town of Prue	(13,276)
Net cash used by noncapital financing activities	<u>(13,276)</u>
Cash flows from capital and related financial activities:	
Purchase of capital assets	(351,922)
Sales tax receipts committed to water improvements	22,674
Grant transfers for capital assets from town	334,719
Net cash provided by capital and related financing activities	<u>5,471</u>
Cash flows from investing activities	
Investment income	57
Net cash provided by investing activities	<u>57</u>
Net decrease in cash and cash equivalents	(5,654)
Cash and cash equivalents - beginning of year	61,047
Cash and cash equivalents - end of year	<u><u>\$ 55,393</u></u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 40,434
Restricted cash and cash equivalents	14,959
Total cash and cash equivalents	<u><u>\$ 55,393</u></u>
Reconciliation of net operation loss to net cash provided by operating activities:	
Operating loss	\$ (30,203)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Increase in water deposits liability	129
Decrease in payroll taxes payable	(1,229)
Depreciation expense	33,397
Net cash provided by operating activities	<u><u>\$ 2,094</u></u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements

1. Summary of Significant Accounting Policies

A. Town's Financial Reporting Entity

This annual report includes all activities for which the Town is financially accountable. These activities, defined as the Town's financial reporting entity, are operated within separate legal entities.

The Town's financial reporting entity includes the following separate legal entities:

- **The Town of Prue** – operates the public safety, streets, and administrative activities of the Town. The Town is governed under the statutory town board of trustees form of government. The governing body is an elected five-member Board of Trustees with the Mayor serving as president of the Board.
- **The New Prue Public Works Authority (NPPWA)** – a trust created pursuant to 60 O.S. Section 176 to operate the water, and sanitation services of the Town. The Town of Prue is the beneficiary of NPPWA which is reported as a blended component unit of the Town. The five trustees of the Town of Prue also serve as trustees for the NPPWA.

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Council Statement No. 14, as amended by Statement No. 61, *The financial Reporting Entity*, and includes all component units for which the Town is financially accountable.

The component unit is a Public Trust pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town Board of Trustees to delegate certain functions to the governing body of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority-generated resources. The Town, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net position and activities are reported on a modified cash basis of accounting. 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. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based inter-fund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

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

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

Program revenues within the statement of activities are derived directly from each activity or from parties outside the Town's taxpayers. The Town has the following program revenues in each activity:

- General government: License and permits, rents, and operating grants
- Fire: Fire runs, fire policies, and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Cemetery: Cemetery maintenance and interment

Governmental Funds:

The Town accounts for all governmental activities through the general fund. The general fund is reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund financial statement uses fund balance as its measure of available spendable financial resources at the end of the period. The reconciliation of the governmental fund financial statement to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

Proprietary Fund:

The Town accounts for all proprietary activities through the New Prue Public Works Authority fund. For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

The general fund is legally required to adopt an annual budget or appropriations. The public trust (NPPWA) is not required to adopt legal annual appropriations. While the trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all demand and savings accounts, certificates of deposit, and any short-term investments with an original maturity of six months or less. Investments consist of long-term certificates of deposits and are reported at cost.

D. Capital Assets and Depreciation

Reported capital assets are limited to those acquired with cash and cash equivalents consistent with the modified cash basis of accounting. 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 the government-wide or fund financial statements. In the government-wide and proprietary 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.

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Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$500 is used to report capital assets.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives by type of asset are as follows:

- | | |
|--------------------------------------|-------------|
| • Buildings | 25-40 years |
| • Machinery, furniture and equipment | 5-25 years |
| • Utility property and improvements | 40 years |
| • Infrastructure | 15-25 years |

E. Long-Term Debt

Reported long-term debt is limited to debt arising from cash transactions consistent with the modified cash basis of accounting. Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund type or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid.

G. Fund Balances and Net Position

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- a. Nonspendable* – amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact.
- b. Restricted* – amounts constrained for a specific purpose by creditors, grantors, contributors, or laws or regulations of other governments or by law through constitutional provisions or enabling legislation.
- c. Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The Town's highest level of decision-making authority is made by ordinance.
- d. Assigned* – includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town Board of Trustees action or management decision when the Town's Board has delegated the authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned* – in the general fund, residual amounts not classified in another classification; for all other funds, only residual deficit amounts.

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It is the Town's policy to use restricted assets first when they are available for expenditure. When restricted assets are not available, unrestricted assets are used in the following order: committed, assigned, and then unassigned amounts.

The Town has no formal minimum fund balance policies or any formal stabilization arrangements in place.

Net position:

Net position is 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 "invested in capital assets, net of related debt."

H. Internal and Interfund Balances and Transfers

The Town's policy is to eliminate inter-fund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements.

The Town had no internal balances at June 30, 2023:

During the year ended June 30, 2023, the Town made the following transfers:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Nature of Interfund Transfer</u>
General Fund	NPPWA	\$ 344,117	Capital purchases funded by grants, net of general operating subsidy

I. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

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2. Deposits and Investments

At June 30, 2023, the Town's deposits were as follows:

<u>Type</u>	<u>Financial Institution</u>	<u>Carrying Value</u>
Demand deposits	1st National Bank	\$ 169,929
Time deposits	of Hominy	13,987
Total		<u>\$ 183,916</u>

Reconciliation to the statement of net position:

Cash and cash equivalents	\$ 168,957
Restricted cash and cash equivalents	14,959
Total	<u>\$ 183,916</u>

For the year ended June 30, 2023, the Town recognized \$186 of investment income. The Town's funds are deposited with The First National Bank of Hominy in demand accounts bearing annual interest at 0.0% to 0.15%. Time deposits bear interest at the annual rate of 2.72% to 2.75%.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The Town is governed by the State Public Deposit Act which requires that the Town obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2023 the Town was not exposed to credit risk as described above

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town has no investment policy that limits investments based on maturity. The Town discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable.

Investment Credit Risk - The Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) 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; and government money market funds regulated by the SEC. These investment limitations do not apply to the Town's public trusts.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Town (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The Town has no investment policy regarding concentration of credit risk. At June 30, 2023, the Town had no investment interest rate risk, investment credit risk, or concentration of credit risk as defined above.

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Restricted Cash and Investments – The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of amounts restricted for utility deposits of the New Prue Public Works Authority.

3. Sales Tax Revenue

Sales tax revenue represents a 3.0 cent local tax on each dollar of sales within the Town, of which 2.0 cents is to be used for general operations of the Town and 1.0 cents is dedicated to water system improvements.

4. Property Tax Levy

The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the Town.

5. Capital Assets and Depreciation

For the year ended June 30, 2023, capital asset balances changed as follows:

	<u>Balance at</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>June 30, 2023</u>
Governmental:				
Capital assets being depreciated:				
Building	\$ 114,051	\$ 2,916	\$ -	\$ 116,967
Infrastructure	102,809	17,452	-	120,261
Equipment	263,927	52,107	-	316,034
Total capital assets being depreciated	480,787	72,475	-	553,262
Less accumulated depreciation:				
Building	98,558	3,575	-	102,133
Infrastructure	70,750	3,693	-	74,443
Equipment	158,170	19,254	-	177,424
Total accumulated depreciation	327,478	26,522	-	354,000
Governmental, net capital assets	\$ 153,309	\$ 45,953	\$ -	\$ 199,262
Business-type				
Capital assets not being depreciated:				
Construction in progress	\$ 22,900	\$ -	\$ (22,900)	\$ -
Total capital assets not being depreciated	22,900	-	(22,900)	-
Capital assets being depreciated:				
Water system and equipment	920,967	374,822	-	1,295,789
Total capital assets being depreciated	920,967	374,822	-	1,295,789
Less accumulated depreciation				
Water system and equipment	395,144	33,397	-	428,541
Total accumulated depreciation	395,144	33,397	-	428,541
Business-type, net capital assets	\$ 548,723	\$ 341,425	\$ (22,900)	\$ 867,248

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Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental activities:		Business-type activities:	
General government	\$ 4,191	Water	\$ 33,397
Fire	12,063		
Parks	1,573		
Streets and alleys	8,695		
Total depreciation	<u>\$ 26,522</u>	Total depreciation	<u>\$ 33,397</u>

6. Long-term Debt

Governmental Activities

As of June 30, 2023, the long-term debt arising from cash transactions or events, payable from governmental fund resources, consisted of the following:

\$35,300 equipment lease to Welch State Bank issued March 2022 for the purchase of a road repair machine, payable in monthly installments of \$651, bearing interest at 4.06% per annum, with the final payment due March 2027. \$27,120

Changes in Long-term Debt

The following is a summary of changes in long-term debt arising from cash transactions or events for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Amount Due Within One Year
Governmental					
Lease obligation	<u>\$ 33,660</u>	<u>\$ -</u>	<u>\$ 6,540</u>	<u>\$ 27,120</u>	<u>\$ 6,836</u>

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for long term debt, except for refundable deposits, as of June 30, 2023, are as follows:

	Governmental activities	
June 30,	Principal	Interest
2024	6,836	978
2025	7,121	692
2026	7,416	398
2027	5,747	98
Total	<u>\$ 27,120</u>	<u>\$ 2,166</u>

7. Risk Management

The Town and its public trust are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks except workers'

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compensation. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years. The deductibles for each line of coverage are as follows:

General liability, including property	\$0 - \$5,000 per occurrence
Automobile liability	\$0

The Town participated in the Oklahoma Municipal Assurance Group's (OMAG) Workmen's Compensation Plan. The OMAG Workers' Compensation Plan (the Plan) became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. A plan year normally begins at 12:01 am on July 1, in any year and ends at Midnight June 30, of the following calendar year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

The Town has entered into an agreement with the Plan to participate in the coverage and services that the Plan offers. The Town has the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, the Town is responsible for complying with all requirements of the Oklahoma Workers Compensation Act. The Town has a right to the return of any Loss Funds set aside for claims which have not been paid out in benefits.

8. Employee Retirement Plan Participation

Oklahoma Firefighter's Pension and Retirement System (OFPRS)

The Town of Prue participates in a statewide cost-sharing multiple-employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS
4545 N. Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The City is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The OFPRS contributions are as follows:

<u>Fiscal year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2023	\$240	\$240
2022	\$240	\$240
2021	\$360	\$360

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Oklahoma Municipal Retirement Fund – Defined Contribution Plan

In June 2020, the Town's Board of Trustees approved a defined contribution plan with the Oklahoma Municipal Retirement Fund acting as the administrator and fiduciary. Under the plan, the Town will make matching contributions up to 6% of a full-time employee's salary that vest 100% after five years of service.

9. Commitments, Contingencies, and Subsequent Events

Compensated Absences:

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) earned but unpaid at year-end are not reflected in the basic financial statements. It is the practice of the current Town's management to require that leave is taken in the same fiscal year in which it is earned. Consequently, there were no unused leave balances as of June 30, 2023.

Litigation:

From time to time, the Town and its public trust may be parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations; however the town's legal counsel advises that at report date there were no pending issues. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a sinking fund for the payment of any court assessed judgment rendered against the Town. (This provision is not available to public trusts.) The Town also carries insurance that provides some degree of protection for litigation and legal proceedings.

Federal and State Award Programs:

The Town of Prue participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The Town has not been notified of any noncompliance with federal or state award requirements.

Subsequent Events

These financial statements considered subsequent events through the date the financial statements were available to be issued.

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OTHER INFORMATION

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Budgetary Comparison Schedule (Modified Cash Basis) – Year Ended June 30, 2023 – UNAUDITED

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Beginning budgetary fund balance	\$ 211,005	\$ 211,005	\$ 205,330	\$ (5,675)
Resources (inflows)				
Taxes	58,861	58,861	69,985	11,124
Intergovernmental	23,491	23,491	21,413	(2,078)
Fire subscriptions and runs	10,794	10,794	-	(10,794)
Grant revenue	115,000	115,000	319,113	204,113
Donations	423	423	200	(223)
Investment income	105	105	129	24
Miscellaneous	3,022	3,022	17,657	14,635
Total resources (inflows)	211,696	211,696	428,497	216,801
Amounts available for appropriation	422,701	422,701	633,827	211,126
Charges to appropriations (outflows):				
General government	120,000	120,000	61,377	58,623
Fire	60,000	60,000	18,793	41,207
Streets	35,000	35,000	48,928	(13,928)
Cemetery	4,000	4,000	823	3,177
Parks	50,000	50,000	31,266	18,734
Transfer to NPPWA, net	41,216	41,216	344,117	(302,901)
Total charges to appropriations	310,216	310,216	505,304	(195,088)
Ending budgetary fund balance	\$ 112,485	\$ 112,485	\$ 128,523	\$ 16,038

Footnotes to Budgetary Comparison Schedule:

- The Town prepares its annual budget under the Estimate of Needs laws (Oklahoma Title 68 section 3001-33 and Title 62 section 461) which is applicable to all municipalities that have not opted, by resolution, to come under the Municipal Budget Act in Title 11. Budgets are only required for the General Fund and, if applicable, the Sinking Fund, and "cash fund" budgets for certain other funds only as cash is received. These statutes require:
 - Preparation of financial statements for close of prior year by the first Monday in August
 - Preparation of the estimate of needs forms and submission to county excise board by August 22
 - An affidavit of publication must be filed with the county excise board no later than 5 days after filing the estimate of needs
- The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements.
- The legal level of appropriation control is the fund level. Supplemental appropriations require the Board of Trustees' approval. In the fiscal year ended June 30, 2023 the Town's charges exceeded appropriations for spending on streets as well as transfers to the NPPWA.

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Schedule of Expenditures of Federal Awards
Year ended June 30, 2023

Federal Grantor/Pass Through Agency Grantor/Program Title	Federal ALN Number	Pass-through Entity Identifying Number	Federal Expenditures
FEDERAL AWARDS:			
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed through the Oklahoma Department of Commerce</i>			
Community Development Block Grant	14.228	18031 CDBG20	\$ 348,130
Total US Department of Housing and Urban Development			<u>348,130</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	ARPA	41,237
Total US Department of the Treasury			<u>41,237</u>
Total Federal Awards			<u>\$ 389,367</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND COMPLIANCE

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Elfrink and Associates, PLLC

Member of the AICPA, OSCP, and GFOA

8905 S Yale Avenue, Suite 102	539-664-4662
Tulsa, Oklahoma 74137	Fax: 918-512-4280

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

Honorable Mayor and Members of the Board of Trustees
Town of Prue, 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 modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Prue, 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 Prue, Oklahoma's modified cash basis financial statements and have issued our report thereon dated April 4, 2024. As described in Note 1B, the Town of Prue, Oklahoma has elected to report on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Prue, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Prue, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Prue, 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. The results of our tests disclosed no instances of noncompliance or other matters that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Prue, 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. The results of our tests

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disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Elfrink and Associates, PLLC

Elfrink and Associates, PLLC

Tulsa, Oklahoma
April 4, 2024