

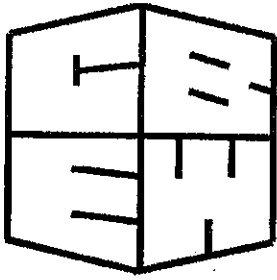
TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2021

TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

December 2, 2021

The Honorable Town Council
Town of Lone Chimney, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information prepared on a modified cash basis of the Town of Lone Chimney, Oklahoma, (Town) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes 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 error or fraud

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lone Chimney, Oklahoma as of June 30, 2021, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

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 that matter.

Other Matters

Disclaimer of Opinion on Supplementary Information

The budgetary comparison information on pages 20 and notes on page 21, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021, on our consideration of the Town'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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants
Cushing, Oklahoma

TOWN OF LONE CHIMNEY
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 98,411	\$ 66,975	\$ 165,386
Due to/from others	-	-	-
Capital assets:			
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	-	533,165	533,165
Total assets	<u>98,411</u>	<u>600,140</u>	<u>698,551</u>
Deferred outflows of resources:			
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities:			
Current liabilities:			
Notes payable (Note 2)	-	-	-
Long-term liabilities:			
Notes payable (Note 2)	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:			
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>
Net position:			
Net investment in capital assets	-	533,165	533,165
Restricted	-	-	-
Unrestricted	<u>98,411</u>	<u>66,975</u>	<u>165,386</u>
Total net position	<u>\$ 98,411</u>	<u>\$ 600,140</u>	<u>\$ 698,551</u>

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

TOWN OF LONE CHIMNEY
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
General government	\$ 168,247	\$ -	\$ -	\$ -	\$ (168,247)
Total general government	168,247	-	-	-	(168,247)
Total governmental activities	<u>168,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(168,247)</u>
Business-type activities					
General and administrative	5,321	-	-	-	(5,321)
Financing costs	-	-	-	-	-
Unallocated depreciation*	9,264	-	-	-	(9,264)
Total business-type activities	<u>14,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,585)</u>
Total	<u>\$ 182,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (182,832)</u>

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(168,247)	(14,585)	(182,832)
General revenues:			
Taxes:			
Sales and use taxes	132,268	-	132,268
Cigarette taxes	1,189	-	1,189
Investment earnings	220	-	220
Sale of surplus	-	-	-
Miscellaneous	1,267	270	1,537
Rental income	-	36,000	36,000
Transfers	35,000	(35,000)	-
Total general revenues and transfers	<u>169,944</u>	<u>1,270</u>	<u>171,214</u>
Change in net position	1,697	(13,315)	(11,618)
Net position - beginning of year	<u>96,714</u>	<u>613,455</u>	<u>710,169</u>
Net position - end of year	<u>\$ 98,411</u>	<u>\$ 600,140</u>	<u>\$ 698,551</u>

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

TOWN OF LONE CHIMENY
BALANCE SHEET
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2021

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Assets:		
Cash and investments:		
Cash & cash equivalents	\$ 98,411	\$ 98,411
Due from others	-	-
Total assets	<u>\$ 98,411</u>	<u>\$ 98,411</u>
Liabilities:		
Due to others	\$ -	\$ -
Total liabilities	-	-
Fund balance:		
Restricted for:		
Other purposes	-	-
Unassigned	98,411	98,411
Total fund balance	98,411	98,411
Total liabilities & fund balance	<u>\$ 98,411</u>	<u>\$ 98,411</u>

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

TOWN OF LONE CHIMNEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT
OF NET POSITION
MODIFIED CASH BASIS
June 30, 2021

Total Fund Balances - Total Governmental Funds	\$ 98,411
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Amounts reported for governmental activities in the statement of net position are different because:

No differences

Net position of governmental activities	\$ <u>98,411</u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF LONE CHIMNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues:		
Cigarette taxes	\$ 1,189	\$ 1,189
Interest	220	220
Miscellaneous revenue	1,267	1,267
Sales and use taxes	132,268	132,268
Total revenues	<u>134,944</u>	<u>134,944</u>
Expenditures:		
Current:		
General government	133,247	133,247
Capital outlay	35,000	35,000
Total expenditures	<u>168,247</u>	<u>168,247</u>
Excess of revenues over (under) expenditures	(33,303)	(33,303)
Other financing uses:		
Operating transfers in (out)	<u>35,000</u>	<u>35,000</u>
Excess of revenues over (under) expenditures & transfers	1,697	1,697
Fund balance - beginning of year	<u>96,714</u>	<u>96,714</u>
Fund balance - end of year	<u><u>\$ 98,411</u></u>	<u><u>\$ 98,411</u></u>

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

TOWN OF LONE CHIMNEY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 MODIFIED CASH BASIS
 Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 1,697
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Amounts reported for governmental activities in the Statement of Activities are
 different because:

No differences

Change in Net Position of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 0 10px;">\$ 1,697</div>
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The accompanying notes are an integral part of the financial statements.

TOWN OF LONE CHIMNEY
STATEMENT OF FUND NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
June 30, 2021

Business-type Activities - Enterprise Funds

	Lone Chimney Development Authority (Major)	Totals
Assets:		
Cash and investments:		
Cash & cash equivalents (Note 1)	\$ 66,975	\$ 66,975
Due from others	-	-
	<u> </u>	<u> </u>
Capital assets:		
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	533,165	533,165
	<u> </u>	<u> </u>
Total assets	<u><u>\$ 600,140</u></u>	<u><u>\$ 600,140</u></u>
Liabilities:		
Current liabilities:		
Due to others	\$ -	\$ -
Notes payable (Note 2)	-	-
Long-term liabilities:		
Notes payable (Note 2)	-	-
	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u> </u>
Net position:		
Net investment in capital assets	533,165	533,165
Restricted	-	-
Unrestricted	66,975	66,975
	<u> </u>	<u> </u>
Total net position	<u><u>\$ 600,140</u></u>	<u><u>\$ 600,140</u></u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LONE CHIMNEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year Ended June 30, 2021

Business-type Activities - Enterprise Funds

	Lone Chimney Development Authority (Major)	Totals
Revenues:		
Rental income	\$ 36,000	\$ 36,000
Sale of surplus	-	-
Miscellaneous revenue	270	270
Total revenues	<u>36,270</u>	<u>36,270</u>
Operating expenses:		
General and administrative	5,321	5,321
Depreciation expense	9,264	9,264
Total operating expenses	<u>14,585</u>	<u>14,585</u>
Income before non-operating revenues, expenses & transfers	<u>21,685</u>	<u>21,685</u>
Non-operating revenues (expenses):		
Interest expense	-	-
Total	<u>-</u>	<u>-</u>
Income (loss) before operating transfers	<u>21,685</u>	<u>21,685</u>
Transfers in (out)	<u>(35,000)</u>	<u>(35,000)</u>
Change in net position	(13,315)	(13,315)
Net position at beginning of year	<u>613,455</u>	<u>613,455</u>
Net position at end of year	<u>\$ 600,140</u>	<u>\$ 600,140</u>

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

TOWN OF LONE CHIMNEY
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year Ended June 30, 2021

Business-type Activities - Enterprise Funds

	Lone Chimney Development Authority (Major)	Totals
Cash flows from operating activities:		
Cash received from customers & service users	\$ 36,270	\$ 36,270
Cash payments for goods & services & employees	(5,321)	(5,321)
Other operating revenues	-	-
Net cash provided by operating activities	<u>30,949</u>	<u>30,949</u>
Cash flows from noncapital financing activities:		
Operating transfers out to other funds	-	-
Operating transfers in from other funds	(35,000)	(35,000)
Net cash provided (used) for noncapital financing activities	<u>(35,000)</u>	<u>(35,000)</u>
Cash flows from capital and related financing activities:		
Acquisition & construction of capital assets	-	-
Principal paid on debt	-	-
Interest paid on debt	-	-
Net cash provided (used) for capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
(Purchase) liquidation of investments	-	-
Interest on investments	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash & cash equivalents	(4,051)	(4,051)
Cash and cash equivalents - beginning of year	<u>71,026</u>	<u>71,026</u>
Cash and cash equivalents - end of year	<u>\$ 66,975</u>	<u>\$ 66,975</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 21,685	\$ 21,685
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,264	9,264
Total adjustments	<u>9,264</u>	<u>9,264</u>
Net cash provided by operating activities	<u>\$ 30,949</u>	<u>\$ 30,949</u>

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

TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Lone Chimney, Oklahoma (the Town) accounting policies 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 Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in the modified cash basis of accounting and used by the Town is discussed below.

A. Reporting Entity

The Town of Lone Chimney, Oklahoma is organized under the statutes of the State of Oklahoma in 1906. The Town operates under a council form of government and is governed by a six-member board of trustees. The trustees elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government and public safety (fire) for the Town of Lone Chimney, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the Town and its component units and trusts, entities for which the Town is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

Blended Component Units/Trusts:

The Lone Chimney Development Authority (LCDA) was created pursuant to a Trust Indenture for the benefit of the Town of Lone Chimney, Oklahoma. LCDA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel fire facilities for the Town of Lone Chimney. LCDA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of six trustees identical with the Town Council. LCDA is exempt from State and Federal Income taxes. LCDA is reported as an enterprise fund.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The Town's financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are normally prepared using the accrual basis of accounting but the Town of Lone Chimney's presentation is on a modified cash basis.

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net position presents the governmental and business-type activities at year-end on a modified cash basis. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions.

TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government's general government activities. The Town of Lone Chimney presents its governmental activities on the modified cash basis of accounting rather than generally accepted accounting principles (GAAP). GAAP requires that governmental fund types would use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under that basis of accounting, revenues would be recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. GAAP provides that all revenues are available if they are collected within 60 days after year-end. For GAAP, expenditures would be recorded when the fund liability is incurred with certain exceptions (general long-term debt and certain compensated absences, claims and judgments).

The Town of Lone Chimney records governmental fund expenditures as they are paid rather than when the obligation is incurred.

Sales and use taxes and cigarette taxes collected and held by the state at year-end on behalf of the Town are susceptible to accrual under GAAP but are not recognized as revenue until received under the modified cash basis. Other receipts and taxes (franchise taxes, licenses, etc.) are recognized as revenue when received by the government.

Entitlements and shared revenues are recorded at the time of receipt. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the Town's major governmental funds:

General Fund – is the main operating fund of the Town. It accounts and reports for all financial resources not required to be reported in another fund.

TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Proprietary Funds – Proprietary funds are classified as enterprise funds. For GAAP purposes these funds are generally accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In the Town's modified cash basis financial statements revenues are recorded when received and expenditures are recorded when paid with the exception of payroll taxes withheld, other withholdings, and accrued compensated absences which the Town records as a modification to the cash basis of accounting. The accrual amounts are not material to the financial statement presentation.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business 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 where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The Town's major enterprise funds are:

Lone Chimney Development Authority – accounts for the operations of providing fire protection to the Town.

There are no other enterprise funds of the Town that are considered non-major funds.

Fiduciary Funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified cash basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The Town does not have a fiduciary fund.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The Lone Chimney Public Works Authority has set aside certain resources in debt service and reserve accounts for repayment of loans, in accordance with loan indentures. These funds are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts, and their use is limited by applicable loan covenants.

TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

3. Fair Value of Financial Instruments

The Town's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The Town's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

7. Capital Assets

Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Building and Improvements	40 - 100 years estimated lives
Equipment	15 years estimated lives

TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

8. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their statement of net position. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their statement of net position. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

9. Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on its use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, 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.

TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. Net Position/Fund Balance (Continued)

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.

10. Resource Use Policy

It is in the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the Town considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2021, the Town held deposits of approximately \$165,386 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The cash and investments held at June 30, 2021 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 165,386	\$ 165,386
Total investments			<u>\$ 165,386</u>	<u>\$ 165,386</u>
Reconciliation to Statement of Net Position				
Governmental activities			\$ 98,411	
Business-type activities			66,975	
			<u>\$ 165,386</u>	

Concentration of Investment Credit Risk

The Town places no limit on the amount it may invest in any one issuer. The Town has the following of credit risk: 100% in Money Market funds (\$165,386).

B. Capital Assets (Continued)

The Business-Type capital asset activity for the year ended is as follows:

Business-Type Activities:	Balance 6/30/2020	Additions	Disposals	Balance 6/30/2021
Depreciable assets:				
Buildings	535,415	-	-	535,415
Equipment	58,731	-	-	58,731
Total depreciable assets	<u>594,146</u>	<u>-</u>	<u>-</u>	<u>594,146</u>
Less accumulated depreciation:				
Buildings	(36,546)	(5,352)	-	(41,898)
Equipment	(15,171)	(3,912)	-	(19,083)
Total accumulated depreciation	<u>(51,717)</u>	<u>(9,264)</u>	<u>-</u>	<u>(60,981)</u>
Net business-type activities capital assets	<u>\$ 542,429</u>	<u>\$ (9,264)</u>	<u>\$ -</u>	<u>\$ 533,165</u>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

3. OTHER INFORMATION

A. 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; employee health benefits; unemployment; and natural disasters. The Town purchases commercial insurance to cover these and other risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

The Town is not aware of any pending or threatened legal actions against it. However, insurance protection has been obtained to cover probable claims. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through the date of the audit report, which is the date the financial statements were available to be issued. Management is currently evaluating the impact of the COVID-19 pandemic on the Town and has concluded that while it is reasonably possible that the virus could have a negative effect on the Town's financial position and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

OTHER SUPPLEMENTAL INFORMATION
June 30, 2021

**TOWN OF LONE CHIMNEY
SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED CASH BASIS) AND ACTUAL**

GOVERNMENTAL FUNDS

Year Ended June 30, 2021

(Unaudited)

GENERAL FUND

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>		<u>Over (Under)</u>
Revenues:				
Cigarette taxes	\$ 1,300	\$ 1,300	\$ 1,189	\$ (111)
Interest	175	175	220	45
Miscellaneous revenue	400	400	1,267	867
Sales and use taxes	135,000	135,000	132,268	(2,732)
Donations and other	-	-	-	-
Total revenues	<u>136,875</u>	<u>136,875</u>	<u>134,944</u>	<u>(1,931)</u>
Expenditures:				
General government	181,344	181,344	133,247	48,097
Capital outlay	35,000	35,000	35,000	-
Total expenditures	<u>216,344</u>	<u>216,344</u>	<u>168,247</u>	<u>48,097</u>
Excess of revenue over				
(under) expenditures	(79,469)	(79,469)	(33,303)	46,166
Other financing sources (uses):				
Operating transfers in (out)	-	-	35,000	35,000
Net changes in fund balance	(79,469)	(79,469)	1,697	81,166
Fund balance at beginning of year	<u>96,714</u>	<u>96,714</u>	<u>96,714</u>	<u>-</u>
Fund balance at end of year	<u>\$ 17,245</u>	<u>\$ 17,245</u>	<u>\$ 98,411</u>	<u>\$ 81,166</u>

TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2021
(Unaudited)

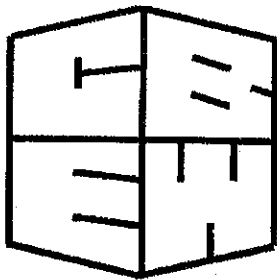
BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise fund adopts budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the fiduciary funds. Budgetary data for enterprise fund is not presented in these financial statements.

Prior to July 1, the Town Administrator (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the Town Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2021



CBEW Professional Group, LLP

Certified Public Accountants

P.O. Box 790

Cushing, OK 74023

918-225-4216 FAX 918-225-4315

Charles E. Crooks, Jr., CPA – Trisha J. Rieman, CPA – Gabrielle Conchola, CPA

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

December 2, 2021

Honorable Board of Town Commissioners
Town of Lone Chimney
Lone Chimney, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lone Chimney, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Lone Chimney, Oklahoma's financial statements, and have issued our report thereon dated December 2, 2021. The Town's financial statements are presented on a modified cash basis of accounting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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*.

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 report is not suitable for any other purpose.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants
Cushing, Oklahoma

TOWN OF LONE CHIMNEY
Lone Chimney, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2021

None.