

TOWN OF MILL CREEK, OKLAHOMA

Report on Audit of Financial Statements

For the period ending June 30, 2023

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Independent Auditor's Report

To the Board of Trustees
Town of Mill Creek, Oklahoma

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the Town of Mill Creek, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Mill Creek'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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Mill Creek, 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 1D.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Mill Creek 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 1D 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 1D, 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2024, on our consideration of the Town of Mill Creek'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 solely 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 the effectiveness of the Town of Mill Creek's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Mill Creek's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
June 14, 2024

Town of Mill Creek
Statement of Net Position - Modified Cash Basis - Government Wide
For the Year Ended June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash in bank - unrestricted	180,247.10	163,503.63	343,750.73
Cash in bank - restricted	110,599.00	43,215.99	153,814.99
Total current assets	290,846.10	206,719.62	497,565.72
Noncurrent assets:			
Net capital assets	59,351.40	1,304,886.59	1,364,237.99
Total noncurrent assets	59,351.40	1,304,886.59	1,364,237.99
Total assets	\$ 350,197.50	\$ 1,511,606.21	\$ 1,861,803.71
Liabilities			
Current liabilities			
Meter deposits	-	13,736.53	13,736.53
Net Assets			
Invested in capital assets, net of related debt	59,351.40	1,304,886.59	1,364,237.99
Restricted	110,599.00	43,215.99	153,814.99
Unrestricted	180,247.10	149,767.10	330,014.20
Total net assets	350,197.50	1,497,869.68	1,848,067.18
Total liabilities and net assets	\$ 350,197.50	\$ 1,511,606.21	\$ 1,861,803.71

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

Town of Mill Creek
Statement of Activities - Modified Cash Basis- Government Wide
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Grants and Contributions	Governmental Activities	Business - Type Activities	
Primary government						
Governmental activities						
General government	109,707.93	-	109,905.97	198.04	-	198.04
Fire department	6,902.26	-	-	(6,902.26)	-	(6,902.26)
Total governmental activities	116,610.19	-	109,905.97	(6,704.22)	-	(6,704.22)
Business-type activities						
Water department	161,296.95	77,105.48	-	-	(84,191.47)	(84,191.47)
Sewer department	58,653.44	27,261.53	-	-	(31,391.91)	(31,391.91)
Garbage department	73,316.80	34,750.00	-	-	(38,566.80)	(38,566.80)
Total business-type activities	293,267.18	139,117.01	-	-	(154,150.18)	(154,150.18)
Total primary government	<u>\$ 409,877.37</u>	<u>\$ 139,117.01</u>	<u>\$ 109,905.97</u>	<u>\$ (6,704.22)</u>	<u>\$ (154,150.18)</u>	<u>\$ (160,854.40)</u>
General revenues:						
				100,747.47	-	100,747.47
				37,835.93	-	37,835.93
				23,565.91	-	23,565.91
				-	1,156.49	1,156.49
				(53,705.12)	53,705.12	-
				<u>108,444.19</u>	<u>54,861.61</u>	<u>163,305.80</u>
				101,739.97	(99,288.57)	2,451.40
				248,457.53	1,597,158.26	1,845,615.79
				<u>\$ 350,197.50</u>	<u>\$ 1,497,869.69</u>	<u>\$ 1,848,067.19</u>

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

Town of Mill Creek
Balance Sheet - Modified Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2023

	General Fund	Fire Fund	Total
Assets			
Cash in bank	179,753.81	493.29	180,247.10
Cash in bank - restricted	20,712.57	89,886.43	110,599.00
Total assets	<u>\$ 200,466.38</u>	<u>\$ 90,379.72</u>	<u>\$ 290,846.10</u>
Fund Balances			
Unrestricted	179,753.81	493.29	180,247.10
Restricted	20,712.57	89,886.43	110,599.00
Total Fund Balances	<u>\$ 200,466.38</u>	<u>\$ 90,379.72</u>	<u>\$ 290,846.10</u>

***Reconciliation of Total Governmental
Fund Balance to Net Assets of
Governmental Activities as of
06/30/23***

Amounts reported for capital assets net of accumulated depreciation are not financial resources and therefore are not reported in the funds	59,351.40	-	59,351.40
Net Position of Governmental Activities	<u>\$ 259,817.78</u>	<u>\$ 90,379.72</u>	<u>\$ 350,197.50</u>

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

Town of Mill Creek
Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis -
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	General Fund	Fire Fund	Total
Revenues			
Sales taxes	100,747.47	-	100,747.47
Sales taxes - restricted	-	22,311.15	22,311.15
Use taxes	37,835.93	-	37,835.93
Gas and motor vehicle taxes	564.91	-	564.91
Cigar and cigarette taxes	689.85	-	689.85
Grants	109,905.97	-	109,905.97
Total revenues	249,744.13	22,311.15	272,055.28
Expenditures			
Payroll Expenditures	51,248.75	-	51,248.75
Office & Admin	12,437.01	-	12,437.01
Professional Expenditures	15,411.81	-	15,411.81
Insurance	17,945.31	-	17,945.31
IT	2,629.63	-	2,629.63
Other Maintenance & Operations	10,035.42	6,902.26	16,937.68
Capital Outlay	59,351.40	-	59,351.40
Total Expenditures	169,059.33	6,902.26	175,961.59
Transfers from (to) Other Funds	(53,705.12)	-	(53,705.12)
Excess revenues over (under) expenditures	26,979.68	15,408.89	42,388.57
Fund balance at beginning of year	173,486.70	74,970.83	248,457.53
Fund balance at end of year	\$ 146,761.26	\$ 90,379.72	\$ 237,140.98

***Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund
Balances of Governmental Funds to the
Statement of Activities for the Year
Ending June 30, 2023***

Excess revenues over (under) expenditures	26,979.68	15,408.89	42,388.57
Capital Outlay is recorded as an expenditure on the governmental fund statements but as an addition to capital assets on the government-wide statements	59,351.40	-	59,351.40
Change in fund balance of governmental funds	\$ 86,331.08	\$ 15,408.89	\$ 101,739.97

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

Town of Mill Creek
Statement of Net Position - Modified Cash Basis - Proprietary Fund
For the Fiscal Year Ended June 30, 2023

	Public Works Authority
Assets	
Current assets:	
Cash in bank - unrestricted	163,503.63
Cash in bank - restricted	43,215.99
Total current assets	206,719.62
Noncurrent assets:	
Net capital assets	1,304,886.59
Total noncurrent assets	1,304,886.59
Total assets	\$ 1,511,606.21
Liabilities and Net Assets	
Liabilities	
Current liabilities	
Meter deposits	13,736.53
Total current liabilities	13,736.53
Net Assets	
Invested in capital assets, net of related debt	1,304,886.59
Restricted	43,215.99
Unrestricted	149,767.10
Total net assets	1,497,869.68
Total liabilities and net assets	\$ 1,511,606.21

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

Town of Mill Creek
Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis -
Proprietary Fund
For the Fiscal Year Year Ended June 30, 2023

	Public Works Authority
Operating Revenues:	
Water sales	77,105.48
Sewer fees	27,261.53
Garbage fees	34,750.00
Total operating revenues	139,117.01
Operating Expenses	
Payroll Expenses	64,256.67
Office & Administration	3,057.64
IT Costs	1,994.87
Insurance	15,710.68
Professional Expenses	11,697.50
Supplies	11,592.35
Environmental Costs	41,896.25
Utilities	12,911.94
Other Maintenance and Operations	17,029.34
Depreciation	113,119.96
Total operating expenses	293,267.20
Transfers In (Out)	53,705.12
Interest Income	1,156.49
Change in Net Assets	(99,288.58)
Net assets at beginning of year	1,597,158.26
Net assets at end of year	\$ 1,497,869.68

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

Town of Mill Creek
Statement of Cash Flows - Modified Cash Basis
For the Fiscal Year Ended June 30, 2023

Cash Flows from Operating Activities

Cash received from customers	139,117.01
Cash received for interest	1,156.49
Cash paid to employees	(64,256.67)
Cash paid to suppliers	(115,890.57)
Net cash provided by operating activities	<u>(39,873.74)</u>

Cash Flows from Investing Activities

Outlays for Capital Assets	(22,210.85)
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Cash Flows from Capital and Related Financing Activities

Net increase (decrease) in cash and cash equivalents	(62,084.59)
Transfers from (to) other funds	53,705.12
Cash and cash equivalents at beginning of year	215,099.09
Cash and cash equivalents at end of year	<u>\$ 206,719.62</u>

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Change in net assets	(152,993.70)
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Adjustments to reconcile change in net assets to net cash provided by operating activities:

Depreciation expense	113,119.96
Net cash provided (used) by operating activities	<u>(39,873.74)</u>

Reconciliation of cash and cash equivalents

Cash - Unrestricted	163,503.63
Cash - Restricted	43,215.99
Total	<u>\$ 206,719.62</u>

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

TOWN OF MILL CREEK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented 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 (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

1.A. FINANCIAL REPORTING ENTITY

The Town of Mill Creek, Oklahoma is a statutory Town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, utilities and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2023, the Town had one component unit, the Mill Creek Public Works Authority.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows, liabilities, deferred inflows, net position or fund balance, revenues, and expenditures or expenses. The Town's funds are organized into two major categories: governmental and proprietary. The Town presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.

Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described subsequently:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund. The reporting entity also includes the following that is reported as a major fund:

- Fire Fund

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund: Mill Creek PWA.

1.C. MEASUREMENT FOCUS

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements.

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined in 1D.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

1.D. BASIS OF ACCOUNTING

Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

1.E. FINANCIAL POSITION

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

INVESTMENTS

Investments classified in the financial statements consist entirely of certificates of deposit acquired with cash whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

CAPITAL ASSETS

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions or events are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions or events is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture, and equipment	3-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions or events acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

LONG-TERM DEBT

All long-term bonds, notes, and other debt arising from cash transactions or events to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions or events of 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 is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

NET POSITION/FUND BALANCE CLASSIFICATIONS

Government-Wide Statements

Net Position is classified and displayed in three components:

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 and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

Restricted. Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted. Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Town's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements

Governmental Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

Nonspendable. Amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact.

Restricted. Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed. Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the Town's highest level of decision-making authority. In the case of the Town of Mill Creek, commitments are evidenced by adoption of an ordinance by the Town Board of Trustees.

Assigned. Amounts constrained by the Town's intent to be used for specific purposes but that are neither restricted nor committed. In the case of the Town of Mill Creek, assignments are evidenced either by resolution of the Board of Trustees.

Unassigned. The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

It is the Town's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also Town policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

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

Proprietary Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of proprietary funds is reported as net position and classified in the same manner as the government-wide financial statements, as previously described.

1.F. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

In the Statement of Activities, modified cash-basis revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity: General Government, Streets, and Public Works.

All other governmental revenues are reported as general revenues. All taxes are classified as general revenue even if restricted for a specific purpose.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

GASB 34 IMPLEMENTATION

The Town has implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of June 30, 2004.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered material to the financial statements.

NOTE 3. DEPOSITS WITH FINANCIAL INSTITUTIONS

Deposits and investments made by the Town are summarized below. The deposits are classified as to credit risk within the following three categories:

Category 1	Insured or collateralized, with securities held by the Town or its agent in the Town's name.
Category 2	Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
Category 3	Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Town's name.)

For the year ending June 30, 2021, the Town and its component unit had category one deposits up to the FDIC insurance limits. The remaining account balances for the Town and its component units were category three.

A. Restricted Assets

Restricted net assets held in the governmental funds consist of Street and Alley monies of \$55,585 and monies held by Johnston County for fire protection \$74,478. Restricted net assets held in the proprietary funds consist of meter monies of \$16,086, and reserve funds held for the USDA \$11,007.

B. Deposits subject to refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2022, cash and investments included \$16,086 available for refund of customer deposits, while the liability to customers was \$13,737.

NOTE 4. CAPITAL ASSETS AND DEPRECIATION

Capital asset balances and activities for the year ended June 30, 2023 were as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Streets & Street Improvements	-	52,000.00		52,000.00
Equipment	-	7,351.40		7,351.40
Accumulated Depreciation	-	-	-	-
Net Property & Equipment	<u>\$ -</u>	<u>59,351.40</u>		<u>\$ 59,351.40</u>

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings	241,232.00	-	-	241,232.00
Land & Land Improvements	17,692.00	-	-	17,692.00
Equipment	117,600.00	-	-	117,600.00
Vehicles	35,164.00	-	-	35,164.00
Water and Sewer System	2,357,866.00	22,210.85	-	2,380,076.85
Total Property & Equipment	2,769,554.00	22,210.85	-	2,791,764.85
Accumulated Depreciation	(1,373,758.00)	(113,119.98)		(1,486,877.98)
Net Property & Equipment	<u>\$ 1,395,796.00</u>			<u>\$ 1,304,886.87</u>

Depreciation was charged to water and sewer system.

NOTE 5. NOTES PAYABLE

As of June 30, 2023, neither the Town of Mill Creek nor the Mill Creek Public Works Authority held any long-term debt.

NOTE 6. 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; and natural disasters. The Town has insurance for the major risks such as property and general liability, workers' compensation, and unemployment. Commercial insurance is used to cover general liability claims and the risk of loss to Town buildings and mobile equipment. Judgments against the Town may be paid by a property tax assessment over a three-year period.

NOTE 7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 14, 2024, which is the date the financial statements were issued.

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

To the Board of Trustees
Town of Mill Creek

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 accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Mill Creek, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Mill Creek's basic financial statements, and have issued our report thereon dated June 14, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Mill Creek's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Mill Creek's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Mill Creek'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See item 2023-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Mill Creek'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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Mill Creek's Response to Findings

Town of Mill Creek's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Mill Creek's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Russell & Williams CPAs PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
June 14, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Current Year Findings

2023-1 – Segregation of Duties (Repeat Finding)

CONDITION: All accounting functions are performed by the same person.

CRITERIA: Proper internal control mandates segregation of duties for significant accounting functions.

CAUSE OF THE CONDITION: The Authority is small and has limited resources to use for the additional personnel necessary for proper segregation of duties.

EFFECT OF THE CONDITION: The Authority's accounting records are vulnerable to misstatement and possible theft.

RECOMMENDATION: The Board of Trustees provide as much supervision of the expenditure process as possible. The Authority should also consider a policy of not accepting cash for utility payments, and to only accept checks, money orders, and/or cashier's checks.

MANAGEMENT RESPONSE: Management will consider the recommendation.