

**Town of Ninnekah, Oklahoma**

**Financial Statements and Report  
of Independent Accountants**

**As of and For the Year Ending  
June 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Town of Ninnekah, 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 Ninnekah, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Ninnekah'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 Ninnekah, 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 1.

### *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 Ninnekah, Oklahoma, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Emphasis of Matter—Basis of Accounting

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 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 Town of Ninnekah'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 Ninnekah'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 management's discussion and analysis and budgetary comparison information 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 March 15, 2024, on our consideration of the Town of Ninnekah'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 Ninnekah'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 the Town of Ninnekah's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma  
March 15, 2024

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash in bank - unrestricted	131,419.49	377,318.97	508,738.46
Cash in bank - restricted	45,402.97	-	45,402.97
Total current assets	176,822.46	377,318.97	554,141.43
Noncurrent assets:			
Net capital assets	235,826.79	1,720,010.38	1,955,837.17
Total noncurrent assets	235,826.79	1,720,010.38	1,955,837.17
Total assets	\$ 412,649.25	\$ 2,097,329.35	\$ 2,509,978.60
Liabilities			
Current liabilities			
Current portion of long term debt	-	35,085.75	35,085.75
Total current liabilities	-	35,085.75	35,085.75
Non-Current Liabilities			
Notes and Leases Payable, Less Current Portion		247,626.54	247,626.54
Net Assets			
Invested in capital assets, net of related debt	235,826.79	1,437,298.09	1,673,124.88
Restricted	24.11	-	24.11
Unrestricted	176,798.35	377,318.97	554,117.32
Total net assets	412,649.25	1,814,617.06	2,227,266.31
Total liabilities and net assets	\$ 412,649.25	\$ 2,097,329.35	\$ 2,509,978.60

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

**Town of Ninnekah**  
**Statement of Activities - Government Wide - Modified Cash Basis**  
**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	684,291.80	-	91,862.72	(592,429.08)	-	(592,429.08)
Public Safety	34,264.18	177,958.48	-	143,694.30	-	143,694.30
Emergency Services	-	12,466.31	-	12,466.31	-	12,466.31
Street & Alley	10,063.99	-	-	(10,063.99)	-	(10,063.99)
Total governmental activities	728,619.97	190,424.79	91,862.72	(446,332.46)		(446,332.46)
Business-type activities						
Economic Development Authority	347.97	5,548.63	-	-	5,200.66	5,200.66
Public Works Authority	94,456.49	68,558.36	41,000.00	-	15,101.87	15,101.87
Total business-type activities	94,804.46	74,106.99	41,000.00		20,302.53	20,302.53
Total primary government	<u>\$ 823,424.43</u>	<u>\$ 264,531.78</u>	<u>\$ 132,862.72</u>	<u>\$ (446,332.46)</u>	<u>\$ 20,302.53</u>	<u>\$ (426,029.93)</u>
General revenues:						
Sales & Use Taxes				262,022.40	73,431.21	335,453.61
Other taxes				48,315.16	-	48,315.16
Other Revenues				139,024.63	-	139,024.63
Transfers				(155,622.99)	155,622.99	-
Interest				193.82		193.82
Total general revenues				<u>293,933.02</u>	<u>229,054.20</u>	<u>522,987.22</u>
Change in net assets				<u>(152,399.44)</u>	<u>249,356.73</u>	<u>96,957.29</u>
Net assets - beginning				565,048.69	1,565,260.33	2,130,309.02
Net assets - ending				<u>\$ 412,649.25</u>	<u>\$ 1,814,617.06</u>	<u>\$ 2,227,266.31</u>

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

**Town of Ninnekah**  
**Balance Sheet - Governmental Funds - Modified Cash Basis**  
**For the Year Ended June 30, 2023**

Assets	General Fund	Court Fund	Street & Alley Fund	Total
Cash in bank - unrestricted	(2,757.68)	116,989.71	17,187.46	131,419.49
Cash in Bank -Restricted	45,402.97			45,402.97
Total assets	<u>\$ 42,645.29</u>	<u>\$ 116,989.71</u>	<u>\$ 17,187.46</u>	<u>\$ 176,822.46</u>
Fund Balances				
Restricted	45,402.97			45,402.97
Unrestricted	(2,757.68)	116,989.71	17,187.46	131,419.49
Net assets	42,645.29	116,989.71	17,187.46	176,822.46
Total liabilities and net assets	<u>\$ 42,645.29</u>	<u>\$ 116,989.71</u>	<u>\$ 17,187.46</u>	<u>\$ 176,822.46</u>

***Reconciliation of Total Governmental Fund  
Balance to  
Net Assets of Governmental Activities as of  
June 30, 2023***

Total Governmental Fund Balances	42,645.29	116,989.71	17,187.46	176,822.46
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets are not financial resources and therefore are not reported in the fund financial statements.	198,100.00		37,726.79	235,826.79
Net Assets of Governmental Activities	<u>\$ 240,745.29</u>	<u>\$ 116,989.71</u>	<u>\$ 54,914.25</u>	<u>\$ 412,649.25</u>

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

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

Revenues	General Fund	Court Fund	Street & Alley Fund	Total Governmental Funds
Sales taxes	182,162.03	-	-	182,162.03
Use taxes	74,154.49	-	-	74,154.49
Franchise taxes	36,479.95	-	-	36,479.95
Gas and Motor Vehicle taxes	-	7,112.23	-	7,112.23
Cigar and cigarette taxes	1,726.11	-	-	1,726.11
Alcoholic beverage taxes	8,702.75	-	-	8,702.75
Licenses & Permits	-	-	-	-
Emergency Services Fees	12,466.31	-	-	12,466.31
Fines & Forfeitures	-	177,958.48	-	177,958.48
Grants	91,862.72	-	-	91,862.72
Other revenues	139,024.63	-	193.82	139,218.45
Transfers In (Out)	(140,329.22)	(20,000.00)	4,706.23	(155,622.99)
Total revenues	406,249.77	165,070.71	4,900.05	576,220.53
Expenditures				
Salaries and Wages	263,260.78	-	4,973.60	268,234.38
Maintenance and Operations	242,675.15	170,097.57	5,443.83	418,216.55
Total Expenditures	505,935.93	170,097.57	10,417.43	686,450.93
Net changes in fund balances	(99,686.16)	(5,026.86)	(5,517.38)	(110,230.40)
Fund balance, beginning of year	142,331.45	129,128.80	15,592.61	287,052.86
Fund Balance, end of year	<u>\$ 42,645.29</u>	<u>\$ 124,101.94</u>	<u>\$ 10,075.23</u>	<u>\$ 176,822.46</u>

Change in fund balance of governmental funds

*Reconciliation of Governmental Funds and Government-Wide Financial Statements*

Net Change in Fund Balances - Total Governmental Funds	(110,230.40)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Depreciation expense is recorded in the government-wide financial statements but not in the fund financial statements	(42,169.04)
Net Change in Fund Balances - Government-Wide Basis	<u>\$ (152,399.44)</u>

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

**Town of Ninnekah**  
**Statement of Net Position - Proprietary Funds - Modified Cash Basis**  
**For the Year Ended June 30, 2023**

	Public Works Authority	Community Development Authority	Totals
Assets			
Current assets:			
Cash in bank - unrestricted	339,730.08	37,588.89	377,318.97
Total current assets	339,730.08	37,588.89	377,318.97
Noncurrent assets:			
Net capital assets	1,595,281.38	124,729.00	1,720,010.38
Total noncurrent assets	1,595,281.38	124,729.00	1,720,010.38
Total assets	<u>\$ 1,935,011.46</u>	<u>\$ 162,317.89</u>	<u>\$ 2,097,329.35</u>
Liabilities and Net Assets			
Liabilities			
Current liabilities			
Current Portion of Long-Term Debt	35,085.75	-	35,085.75
Total current liabilities	35,085.75	-	35,085.75
Non-Current Liabilities			
Notes Payable, Less Current Portion	247,626.54	-	247,626.54
Total Non-Current Liabilities	247,626.54	-	247,626.54
Total Liabilities	282,712.29	-	282,712.29
Net Assets			
Invested in capital assets, net of related debt	1,312,569.09	124,729.00	1,437,298.09
Unrestricted	339,730.08	37,588.89	377,318.97
Total net assets	1,652,299.17	162,317.89	1,814,617.06
Total liabilities and net assets	<u>\$ 1,935,011.46</u>	<u>\$ 162,317.89</u>	<u>\$ 2,097,329.35</u>

The accompanying notes are an integral part of these financial statements

**Town of Ninnekah**  
**Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds - Modified**  
**Cash Basis**  
**For the Year Ended June 30, 2023**

	Public Works Authority	Community Development Authority	Totals
Operating revenues			
Sewer Revenues	67,810.00	-	67,810.00
Lease Revenues	-	5,548.63	5,548.63
Sales Tax Allocation	73,431.21	-	73,431.21
Interest Income	748.36	-	748.36
Total operating revenues	141,989.57	5,548.63	147,538.20
Operating expenses			
Salaries and wages	6,251.96	-	6,251.96
Maintenance and operations	16,515.28	347.97	16,863.25
Depreciation	65,158.17		65,158.17
Total operating expenses	87,925.41	347.97	88,273.38
Operating income (loss)	54,064.16	5,200.66	59,264.82
Other Income and Expenses			
Grants	41,000.00	-	41,000.00
Interest Expense	(6,531.08)	-	(6,531.08)
Transfers In/Out	155,622.99	-	155,622.99
Total Other Income and Expenses	190,091.91	-	190,091.91
Change in Net Assets	244,156.07	5,200.66	249,356.73
Net assets at beginning of year	1,532,872.10	32,388.23	1,565,260.33
Net assets at end of year	<u>\$ 1,777,028.17</u>	<u>\$ 37,588.89</u>	<u>\$ 1,814,617.06</u>

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

**Town of Ninnekah**  
**Statement of Cash Flows - Proprietary Funds - Modified Cash Basis**  
**For the Year Ended June 30, 2023**

	<b>Public Works Authority</b>	<b>Community Development Authority</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	109,558.36	5,548.63	115,106.99
Sales Tax Allocation	73,431.21	-	73,431.21
Cash from Grants	41,000.00	-	41,000.00
Cash paid to employees	(6,251.96)	-	(6,251.96)
Cash paid to suppliers	(16,515.28)	(347.97)	(16,863.25)
Cash Paid for Interest	(6,531.08)		(6,531.08)
Net cash provided by operating activities	<u>194,691.25</u>	<u>5,200.66</u>	<u>199,891.91</u>
<b>Cash Flows from Financing Activities</b>			
Principal Payments on Long-Term Notes Payable	(33,596.92)		(33,596.92)
Net Cash Provided by (Used for) Financing Activities	<u>(33,596.92)</u>		<u>(33,596.92)</u>
<b>Cash Flows from Investing Activities</b>			
Capital Outlays - Equipment Purchase	(263,527.98)		(263,527.98)
Net Cash Provided by (Used for) Investing Activities	<u>(263,527.98)</u>		<u>(263,527.98)</u>
Transfers In (Out)	<u>155,622.99</u>		<u>155,622.99</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>53,189.34</u>	<u>5,200.66</u>	<u>58,390.00</u>
Cash and cash equivalents at beginning of year	<u>327,540.74</u>	<u>32,388.23</u>	<u>359,928.97</u>
Cash and cash equivalents at end of year	<u>\$ 339,730.08</u>	<u>\$ 37,588.89</u>	<u>\$ 377,318.97</u>
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:</i>			
Change in net assets	244,156.07	5,200.66	249,356.73
Depreciation expense	65,158.17	-	65,158.17
Transfers in/Out	(155,622.99)	-	(155,622.99)
Net cash provided (used) by operating activities	<u>\$ 153,691.25</u>	<u>\$ 5,200.66</u>	<u>\$ 158,891.91</u>

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

**Town of Ninnekah, Oklahoma**  
**Notes to the Basic Financial Statements**  
**For the Year Ended 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 Ninnekah, 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 has two component units, the Ninnekah Public Works Authority and the Ninnekah Industrial 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:

- a. 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.
- b. 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.

#### **Special Revenue Funds**

Special Revenue Funds are used to account for and report the proceeds of the specific revenue sources that are either restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds, all of which are reported as nonmajor funds: Court Fund, Street & Alley 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: Ninnekah PWA. The following enterprise fund is reported as a non-major fund: Ninnekah Economic Development Authority.

## **1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

### **MEASUREMENT FOCUS**

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 item (b).

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:

- a. 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.

- b. 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.

## **BASIS OF ACCOUNTING**

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.D. 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:

1. *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.

2. *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.
3. *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 Example, commitments are evidenced by adoption of an ordinance by the Town Council.)

**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 Example, assignments are evidenced either by resolution of the Town Council or by the Town Manager in written form as approved by vote of the Town Council pursuant to Town policy.)

**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.E. 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**

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Ninnekah is considered a separate entity from the Ninnekah Public Works Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Ninnekah's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of \$250,000 for the governmental funds and \$250,000 for the Ninnekah Public Works Authority. The remaining funds would be category 3.

#### **NOTE 4. CAPITAL ASSETS AND DEPRECIATION**

Capital Asset activity for the year ended June 30, 2023 was as follows:

##### **Governmental Funds**

	Beginning	Increases	Decreases	Ending
Land	19,360.00			19,360.00
Town Hall	225,477.48			225,477.48
Police Department	316,786.72			316,786.72
Street & Alley	158,400.85			158,400.85
Total	720,025.05	-	-	720,025.05
Accumulated Depreciation	(442,029.22)	(42,169.04)		(484,198.26)
Net Assets	<u>\$ 277,995.83</u>			<u>\$ 235,826.79</u>

As of June 30, 2023, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of \$42,169.04 for the governmental funds was recorded as follows: \$9,161.95– Town Hall, \$21,742.48 – Police Department, and \$11,264.61 – Street and Alley.

##### **Proprietary Funds**

	Beginning	Increases	Decreases	Ending
Land	124,729.00	-	-	124,729.00
Sewer	1,734,964.88	150,490.00	-	1,885,454.88
Equipment	25,000.00	113,037.98	-	138,037.98
Total	1,884,693.88	263,527.98	-	2,148,221.86
Accumulated Depreciation	(363,053.31)	(65,158.17)		(428,211.48)
Net Assets	<u>\$ 1,521,640.57</u>			<u>\$ 1,720,010.38</u>

As of June 30, 2023, the proprietary funds capital assets consisted of land and a sewer treatment plant.

#### **NOTE 5. LONG TERM DEBT**

The Town's Public Works Authority and the Economic Development Authority refinanced its prior loans into one loan during the course of the year. All of these loans were to help finance the construction of the sewer plant. The loan was retained at an interest rate of 2.17% with monthly payments in the amount of \$3,344. The balance due on this loan at the end of the year was \$316,309. The remaining principal and interest payments until maturity are as follows:

	Principal	Interest		
FY 2024	34,338.69	5,794.47	Balance, beginning of year	316,309.21
FY 2025	35,091.28	5,041.88	Principal paid during year	<u>(33,596.92)</u>
FY 2026	35,860.37	4,272.79	Balance, end of year	<u><u>\$282,712.29</u></u>
FY 2027	36,646.32	3,486.84		
FY 2028	37,449.49	2,683.67		
FY 2029-2031	103,326.14	3,094.75		
Total	<u><u>\$282,712.29</u></u>	<u><u>\$24,374.40</u></u>		

#### **NOTE 6. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 15, 2024, which is the date the financial statements were issued.

# Russell & Williams, CPAs, P.C.

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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 Ninnekah

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 Ninnekah, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Ninnekah's basic financial statements, and have issued our report thereon dated March 15, 2024.

The report was a special report on the Town's use of a comprehensive 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 Town of Ninnekah'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 Ninnekah's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Ninnekah'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2023-1.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Ninnekah'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.

### **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 "Samuel & Williams CPAs PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
March 15, 2024

## **Schedule of Findings and Responses**

### **2023-1 Ticket Revenue (Lack of Segregation of Duties) (Repeat Finding)**

**CONDITION:** The court clerk collects the payments from customers and also maintains the ticket ledgers. The court clerk also accepts cash payments. The court clerk also maintains a daily payment ledger. The daily collections are reviewed by the Town Clerk/Treasurer but the Town Clerk/Treasurer is also the court clerk.

**CRITERIA:** There should be more separation of duties for record keeping and ticket collections.

**CAUSE OF CONDITION:** Limited Staff and inadequate internal controls.

**EFFECT OF CONDITION:** The Town is vulnerable to having ticket receipts lost or stolen.

**RECOMMENDATION:** The Town should implement a policy of not accepting cash payments at Town hall. The Clerk has established a good policy of writing receipts for all payments received regardless of form and also recording all payments into the computer system. They have developed a good audit trail to document all tickets and transactions including custody of unused tickets books. While these procedures help reduce the risk of misstatement or fraud, as long as cash is being accepted and only one person is responsible for performing all tasks a risk will always be inherent.

**MANAGEMENT RESPONSE:** Due to the size of the Town of Ninnekah it is not economically feasible to hire additional personnel to ensure adequate separation of duties.