

***Town of Ochelata***  
***Washington County, Oklahoma***

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended  
June 30, 2024

***Town of Ochelata***  
***Washington County, Oklahoma***

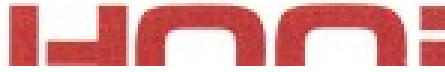
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## Independent Auditor's Report

Town of Ochelata  
To Management:

### Opinion

We have audited the accompanying modified cash basis financial statements of Town of Ochelata, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Ochelata's basic modified cash basis financial statements as listed in the table of contents.

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective financial position of the Town of Ochelata, as of June 30, 2024, and the respective changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 Ochelata 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

We draw attention to Note B 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 modified cash basis of accounting, which is 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Ochelata's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

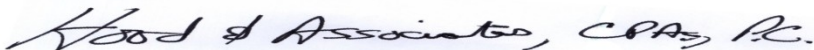
- Exercise professional judgment and maintain professional skepticism throughout the audit.
  - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ochelata'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 Ochelata'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***

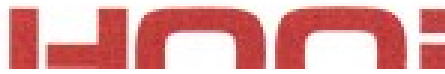
In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2025, on our consideration of the Town of Ochelata's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 Ochelata'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 Ochelata's internal control over financial reporting and compliance.



Hood & Associates CPAs, PC

February 28, 2025



Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

Town of Ochelata, 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 of the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Ochelata, as of and for the year ended June 30, 2024, which collectively comprise the Town of Ochelata's basic financial statements and have issued our report thereon dated February 28, 2025.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned cost as Finding 2024-1 to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as item Finding 2024-1 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ochelata'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 Ochelata, Oklahoma's Response to Findings

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

HOOD & ASSOCIATES CPAs, P.C.

AUDIT.HOODCPAS.COM

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 blue ink that reads "Hood & Associates, CPAs, PC".

Hood & Associates CPAs, PC  
February 28, 2025

***Town of Ochelata***  
***Washington County, Oklahoma***  
*Statement of Net Position – Modified Cash Basis*  
*Government Wide*  
June 30, 2024

	Primary Government	
	Governmental	Business-Type
	Activities	Activities
		Totals
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 532,935	\$ 125,697
		\$ 658,632
Non-current Assets:		
Restricted Assets:		
Cash and Cash Equivalents		40,708
		40,708
Capital Assets:		
Property, Plant & Equipment, net	283,405	2,687,528
	283,405	2,970,933
Total Non-current Assets	283,405	2,728,235
		3,011,640
Total Assets	816,340	2,853,932
		3,670,272
<b>LIABILITIES</b>		
Current Liabilities:		
Customer Deposits		32,705
		32,705
Current Portion of Long Term Debt		62,500
		62,500
Total Current Liabilities	0	95,205
		95,205
Non-current Liabilities:		
Notes Payable		370,827
		370,827
Total Liabilities	0	466,032
		466,032
<b>NET POSITION</b>		
Invested in capital assets,		
net of related debt	283,405	2,256,901
		2,540,306
Unrestricted	462,811	122,996
		585,807
Reserved for Specific Purpose	70,124	8,003
		78,127
Restricted:		
Meter Deposit Funds		
Total Net Position	\$ 816,340	\$ 2,387,900
		\$ 3,204,240

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

**Town of Ochelata**  
**Washington County, Oklahoma**  
*Statement of Activities – Modified Cash Basis*  
*Government Wide*  
June 30, 2024

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating/Capital Grants and Contributions</u>	<u>Net (Expense) Revenues</u>
<b><u>Functions/Programs:</u></b>				
Primary Government:				
General Government	\$ 199,120	\$ 12,371	\$ 0	\$ (186,749)
Business-Type Activities:				
Public Works and EDA	610,283	526,348	199,260	115,325
Total Town of Ochelata	<u>\$ 809,403</u>	<u>\$ 538,719</u>	<u>\$ 199,260</u>	<u>\$ (71,424)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Changes in Net Assets:			
Net (expense) revenue	\$ (186,749)	\$ 115,325	\$ (71,424)
General revenues:			
Taxes:			
Sales Tax	166,798		166,798
Alcoholic Beverage Tax	2,205		2,205
Franchise Tax	9,913		9,913
Cigarette Tax	1,099		1,099
Restricted for transportation purposes:			
Gasoline Tax	4,077		4,077
Sale/Rental of Property	2,700		2,700
Transfer In (Out)	(108,443)	108,443	0
Interest income	11,375	61	11,436
Total revenues	<u>89,724</u>	<u>108,504</u>	<u>198,228</u>
Change in Net Assets	(97,025)	223,829	126,804
Net Position-beginning	<u>913,365</u>	<u>2,164,071</u>	<u>3,077,436</u>
Net Position -ending	<u>\$ 816,340</u>	<u>\$ 2,387,900</u>	<u>\$ 3,204,240</u>

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



***Town of Ochelata***  
***Washington County, Oklahoma***  
*Balance Sheet – Modified Cash Basis*  
*Governmental Funds*  
June 30, 2024

	General Fund	Other Governmental Funds	Totals
<b>ASSETS</b>			
Cash	\$ 462,811	\$ 70,124	\$ 532,935
Due from other funds	<u>9,230</u>	<u>222</u>	<u>9,452</u>
Total Assets	<u>\$ 472,042</u>	<u>\$ 70,346</u>	<u>\$ 542,388</u>
<b>LIABILITIES &amp; FUND BALANCES</b>			
Current Liabilities:			
Due to other funds	<u>\$ 222</u>	<u>\$ 0</u>	<u>\$ 222</u>
Fund Balances:			
Unassigned	471,819		471,819
Assigned	<u>          </u>	<u>70,346</u>	<u>70,346</u>
Total Fund Balances	<u>471,819</u>	<u>70,346</u>	<u>542,165</u>
Total Liabilities & Fund Balances	<u>\$ 472,042</u>	<u>\$ 70,346</u>	<u>\$ 542,388</u>

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

***Town of Ochelata***  
***Washington County, Oklahoma***  
*Reconciliation of Governmental Funds Balance Sheet – Modified Cash Basis*  
*to the Statement of Net Position*  
June 30, 2024

<b>Total Fund Balances – Governmental Funds</b>	\$ 542,165
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Amounts reported for governmental activities in the statement of net assets are different  
Because:

Capital assets used in governmental activities are not financial resources and  
Therefore are not reported in the funds. These assets consist of:

Property and Equipment, net of depreciation	283,405
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Interfund Receivable	<u>(9,230)</u>
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<b>Net Position of Governmental Activities</b>	<u><u>\$ 816,340</u></u>
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*The accompanying notes are an integral part of the combined financial statements.*

***Town of Ochelata***  
***Washington County, Oklahoma***  
*Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis*  
*Governmental Funds*  
June 30, 2024

	General Fund	Other Governmental Funds	Totals
<b>REVENUES</b>			
Charges for Services	\$	\$	\$
Investment Income	10,941	434	11,375
Sale of Property		2,700	2,700
Miscellaneous	12,371		12,371
Taxes – Beverage	2,205		2,205
Taxes – Cigarette	1,099		1,099
Taxes – Franchise	9,912		9,912
Taxes – Gas		4,077	4,077
Taxes - Sales	<u>166,798</u>		<u>166,798</u>
Total Revenues	<u>203,327</u>	<u>7,211</u>	<u>210,539</u>
<b>EXPENDITURES</b>			
Current:			
Personal Services	42,283		42,283
Maintenance & Operation	<u>134,571</u>		<u>134,571</u>
Total Expenditures	<u>176,854</u>		<u>176,854</u>
Excess (deficit) of revenues over expenditures Before operating transfers in and out	26,474	7,211	33,685
Transfers in (Out)	<u>(103,113)</u>	<u>(5,330)</u>	<u>(108,443)</u>
Excess (deficit) of revenues over expenditures	(76,639)	1,882	(74,757)
Fund Balance-Beginning	<u>548,458</u>	<u>68,464</u>	<u>616,922</u>
Fund Balance-Ending	<u>\$ 471,819</u>	<u>\$ 70,346</u>	<u>\$ 542,165</u>

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

***Town of Ochelata***  
***Washington County, Oklahoma***  
*Reconciliation of Change in Fund Balances of Governmental Funds – Modified Cash Basis*  
*to the Statement of Activities*  
June 30, 2024

<b>Net Change in Fund Balances – Total Governmental Funds</b>	\$ (74,757)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlays and Lease Payments	0
Depreciation Expenses	<u>(22,268)</u>

<b>Change in Net Assets of Governmental Activities</b>	<b>\$ <u>(97,025)</u></b>
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*The accompanying notes are an integral part of the combined financial statements.*

***Town of Ochelata***  
***Washington County, Oklahoma***  
*Statement of Net Position – Modified Cash Basis*  
*Proprietary Funds-Enterprise Funds*  
June 30, 2024

	<u>Utility Authority</u>	<u>Economic Dev.</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 56,909	\$ 68,788	\$ 125,697
Non-current Assets:			
Restricted Assets:			
Cash and Cash Equivalents	40,708		40,708
Capital Assets:			
Property, plant and equipment, net of accumulated depreciation	<u>2,236,069</u>	<u>451,459</u>	<u>2,687,528</u>
Total Non-current Assets	<u>2,276,776</u>	<u>451,459</u>	<u>2,728,235</u>
Total Assets	<u>2,333,685</u>	<u>520,247</u>	<u>2,853,932</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Due to other funds	9,230		9,230
Customer Deposits	32,705		32,705
Current Portion of Notes Payable	<u>57,851</u>	<u>50,060</u>	<u>107,911</u>
Total Current Liabilities	99,786	50,060	149,845
Long Term Liabilities:			
Note Payable	<u>325,416</u>	<u>0</u>	<u>325,416</u>
Total Liabilities	<u>425,202</u>	<u>50,060</u>	<u>475,261</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,852,801	401,399	2,254,200
Restricted	8,003		8,003
Unrestricted	<u>47,679</u>	<u>68,788</u>	<u>116,467</u>
Total Net Position	<u>\$ 1,908,483</u>	<u>\$ 470,187</u>	<u>\$ 2,378,669</u>

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

***Town of Ochelata***  
***Washington County, Oklahoma***  
*Statement of Revenues, Expenses and*  
*Changes in Fund Net Position – Modified Cash Basis*  
***Proprietary Funds***  
**June 30, 2024**

	<u>Utility Authority</u>	<u>Economic Dev.</u>	<u>Totals</u>
<b><u>Operating Revenues:</u></b>			
Sales – Utilities	\$ 391,801	\$	\$ 391,801
Rental Income		125,498	125,498
Other Revenues	<u>1,377</u>	<u>7,672</u>	<u>9,048</u>
Total Operating Revenues	<u>393,178</u>	<u>133,169</u>	<u>526,348</u>
<b><u>Operating Expenses:</u></b>			
Personal services			
Salaries and payroll expenses	30,171		30,171
Advertising		3,026	3,026
Automobile costs	4,497		4,497
Fees	4,097		4,097
Outside services	11,217	1,872	13,089
Insurance and bonds	4,620		4,620
Depreciation	105,420	20,049	125,469
Miscellaneous	17,343	1,267	18,610
Office supplies	3,920	66	3,986
Rent expense		1,800	1,800
Trash services	77,101		77,101
Utilities/telephones	28,402		28,402
Water purchased	199,654		199,654
Repairs and maintenance	<u>67,655</u>	<u>610</u>	<u>68,265</u>
Total Operating Expenses	<u>554,097</u>	<u>28,690</u>	<u>582,787</u>
Operating Income	<u>(160,918)</u>	<u>104,479</u>	<u>(56,440)</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>			
Grant revenues	199,260		199,260
Interest revenues	34	27	61
Transfers in	108,443		108,443
Interest expenses	<u>(17,888)</u>	<u>(9,608)</u>	<u>(27,496)</u>
Total Non-Operating Revenues (Expenses)	<u>289,849</u>	<u>(9,581)</u>	<u>280,268</u>
Change in Net Assets	128,931	94,897	223,828
Total Net Position-Beginning	<u>1,779,552</u>	<u>375,290</u>	<u>2,154,892</u>
Total Net Position-Ending	<u>\$ 1,908,483</u>	<u>\$ 470,187</u>	<u>\$ 2,378,669</u>

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

**Town of Ochelata**  
**Washington County, Oklahoma**  
*Statement of Cash Flows – Modified Cash Basis*  
*Proprietary Fund Type - Enterprise Fund*  
For the Year Ended June 30, 2024

	<u>Utility Authority</u>	<u>Economic Dev.</u>	<u>Totals</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Cash inflows:			
Cash received from customers	\$ 393,178	\$ 133,169	\$ 526,348
Cash outflows:			
Cash paid for personal services	30,171	0	30,171
Payments for supplies and other goods and services	426,522	8,642	435,164
Total cash outflows	456,693	8,642	465,335
Net Cash Provided (Used) by Operating Activities	(63,515)	124,528	61,012
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>			
Grant revenues received	199,260		199,260
Transfers in	108,443		108,443
Net Cash Provided (Used) by NonCapital Financial Activities	307,703	0	307,703
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>			
Purchase of fixed assets	(167,760)		(167,760)
Proceeds from loan agreements			
Principal paid on capital debt	(50,030)	(95,014)	(145,044)
Interest paid on capital debt	(17,888)	(9,608)	(27,496)
Net Cash Provided (Used) by Capital and Related Financing Activities	(235,678)	(104,622)	(340,300)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>			
Interest and dividends on investments	34	27	61
Net increase (decrease) in cash	8,544	19,932	28,476
Cash and cash equivalents, beginning of year	89,072	48,856	137,928
Cash and cash equivalents, end of year	\$ 97,617	\$ 68,788	\$ 166,405
<b><u>Reconciliation of Operating Income to Net Cash Provided (Used) by</u></b>			
<b><u>Operating Activities:</u></b>			
Operating income	\$ (160,918)	\$ 104,479	\$ (56,440)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	105,420	20,049	125,469
Net changes in assets and liabilities:			
Other Accrued Liabilities	(6,637)		(6,637)
Meter deposits payable	(1,380)		(1,380)
Net cash provided (used) by operating activities	\$ (63,515)	\$ 124,528	\$ 61,013

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

NOTES TO THE FINANCIAL STATEMENTS



*Town of Ochelata*  
*Washington County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2024

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following notes to the financial statements are an integral part of the Town's financial statements.

As discussed further in Note 1, 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) as applied to local government units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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 measurements and recognition criteria of the modified cash basis of accounting.

**Reporting Entity**

The Town's financial reporting entity is comprised of the following:

Primary Government:	Town of Ochelata
Blended Component Unit:	Ochelata Utilities Authority Ochelata Development Authority

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the Town appointed a voting majority of the units' board and the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's fund is blended into those of the Town's by appropriate activity type to comprise the primary government presentation.

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
Ochelata Utilities Authority	Created to finance, develop and operate the water and sewer services activities.	Enterprise Fund
Ochelata Development Authority	Created to finance and develop economics.	Enterprise Fund

*Town of Ochelata*  
*Washington County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2024

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Basis of Presentation**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

*Fund Financial Statements:* Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Fund are organized into three major categories: governmental, proprietary and fiduciary. 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, liabilities, revenues or expenditure/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, and
- B. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**GOVERNMENTAL FUNDS**

*General Fund.* This is the Town's primary operating fund. It accounts for all financial resources of the general government , except those required to be accounted for in another fund.

*Special Revenue Funds.* Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specific purposes or designated to finance particular functions or activities of the Town.

**PROPRIETARY FUND**

*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:

Ochelata Utilities Authority	Accounts for activities of the public trust in providing water and sewer services to the public.
------------------------------	--

**MAJOR AND NON-MAJOR FUNDS**

<i>Major:</i>	General fund Proprietary Fund: Ochelata Utility Authority Proprietary Fund: Ochelata Economic Development Authority
<i>Non-Major:</i>	Street & Alley Fund Cemetery Fund Park Fund Cemetery Care Fund

*Town of Ochelata*  
*Washington County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2024

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Measurement Focus, Basis of Accounting**

Measurement focus is a term used to describe “when” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**MEASUREMENT FOCUS**

The government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below:

- a. All governmental funds utilize a “current financial resources” measurement focus. 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. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applied to them.

**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. The basis of accounting involves modifications to the cash basis of accounting to report in the statement 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.

The modified cash basis of accounting differs from GAAP primarily because certain 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 adjustments to the 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.

**Cash and Investments**

For the purpose of Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts and certificates of deposit of the Town. For the purposes of the proprietary fund Statement of Cash Flows, “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.

*Town of Ochelata*  
*Washington County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2024

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Equity Classifications**

*Government-Wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.
- d. Assigned fund balance – amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted or committed.
- e. Nonspendable fund balance – the amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained in tact.
- f. Unassigned fund balance – the fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purpose within the general fund.

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, the unreserved further split between designated. Proprietary fund equity is classified the same as in the government-wide statements.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales, use and franchise taxes. Business-type activities report water and sewer charges as its major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

*Town of Ochelata*  
*Washington County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2024

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Fixed Assets**

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

*Government-Wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Lives</u></b>
Buildings	50-75
Building improvements	50-75
Vehicles	5-7
Equipment	5-7

*Fund Financial Statements*

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

**Restricted Assets**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Restricted assets include funds on deposit representing utility customer meter deposits which are refundable to the customer and funds on deposit required to be reserved by terms of promissory notes.

**Revenues, Expenditures and Expenses**

**SALES TAX**

The town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately on month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the Town in July and August have been accrued and are included under the caption "Due from other governments".

***Town of Ochelata***  
***Washington County, Oklahoma***  
*Notes to the Financial Statements*  
June 30, 2024

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**OPERATING REVENUES AND EXPENSES**

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

**EXPENDITURES/EXPENSES**

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

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

Governmental Funds – By Character: Current (further classified by function), Debt Service,  
Capital Outlay

Proprietary Funds – By Operating and Non-Operating

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

**INTERFUND TRANSFERS**

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**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. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows:

**Fund Accounting Requirements**

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the town include the following:

<u>Fund</u>	<u>Required By</u>
Ochelata Utilities Authority	Trust Indenture
Ochelata Economic Development Authority	Trust Indenture

***Town of Ochelata***  
***Washington County, Oklahoma***  
*Notes to the Financial Statements*  
June 30, 2024

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Town invests entirely in certificates of deposit.

The Town's cash deposits, including interest-bearing certificates of deposit are maintained in financial institutions. Those deposits are classified as to credit risk by the following three categories:

- Category 1 - Insured by Federal Deposit Insurance or direct obligations of U.S. Government
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- Category 3 - Uncollateralized.

	1	2	3	Bank Balance
Town Cash	<u>\$ 416,405</u>	<u>\$ -</u>	<u>\$ 282,935</u>	<u>\$ 699,340</u>

**Deposits and Investment Laws and Regulations**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note III A., all deposits were fully insured or collateralized.

Investments of the Town (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

- 1- Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
- 2- Certificates of deposit 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;
- 3- With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;

*Town of Ochelata*  
*Washington County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2024

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont.d)**

**Deposits and Investment Laws and Regulations ( cont.d)**

- 4- County, municipal or school Town 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 Town;
- 5- 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 obligation of national mortgage associations;
- 6- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2024, the Town and its public trusts complied, in all material respects, with these investment restrictions.

**Revenue Restrictions**

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source

Gasoline Excise Tax

Commercial Vehicle Tax

Water and Sewer Revenue

Legal Restrictions of Use

Street and Alley Purposes

Street and Alley Purposes

Debt Service and Utility Operations

For the year ended June 30, 2024 the Town complied, in all material respects, with those revenue restrictions.

**Debt Restrictions and Covenants**

**GENERAL OBLIGATION DEBT**

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2024, the Town had no outstanding general obligation debt.

**OTHER LONG-TERM DEBT**

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2024, the Town incurred no such indebtedness.



**Town of Ochelata**  
**Washington County, Oklahoma**  
*Notes to the Financial Statements*  
June 30, 2024

**NOTE 3: DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (cont.d)**

**Capital Assets**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 47,300	\$	\$	\$ 47,300
<i>Capital assets being depreciated:</i>				
Infrastructure	357,658			357,658
Building	38,179			38,179
Furniture/fixtures	7,454			7,454
Equipment	107,129			107,129
Total capital assets being depreciated	557,720	<u>\$ 0</u>	<u>\$ 0</u>	557,720
Less accumulated depreciation	<u>252,050</u>	<u>\$ 22,266</u>	<u>\$ 0</u>	<u>274,317</u>
Governmental activity capital assets, net	<u>\$ 305,671</u>			<u>\$ 283,403</u>
<b>Business-type activities:</b>				
<i>Capital assets being depreciated:</i>				
Equipment	\$ 67,591	\$	\$	\$ 67,591
Project in Progress	101,500		65,700	35,800
Buildings	660,065			660,065
Water/Sewer System	<u>3,628,955</u>	<u>757,740</u>		<u>3,628,955</u>
Total capital assets being depreciated	4,356,611	<u>\$ 757,740</u>	<u>\$ 65,700</u>	5,048,651
Less accumulated depreciation	<u>2,156,342</u>	<u>\$ 125,469</u>	<u>\$ 0</u>	<u>2,361,123</u>
Business-type activity capital assets, net	<u>\$2,200,269</u>			<u>\$ 2,687,528</u>

**Restricted Assets**

Reserves are meter deposits held for customers, and the accrued interest thereon.

Following is a summary of restricted assets held:

Reserved for Customer Meter Deposits \$ 40,708

**Compensated Absences**

The Town compensated absences cannot be determined and is not accrued as a liability in the financial statements.

***Town of Ochelata***  
***Washington County, Oklahoma***  
*Notes to the Financial Statements*  
June 30, 2024

**NOTE 4: NOTES PAYABLE**

On September 9, 2014 the Ochelata Utilities Authority entered into a promissory note with American Heritage Bank secured by revenues generated by the utility system in a total amount of \$737,580 to require interest at a rate of 4.25% and monthly payments of \$5,572.

On April 5, 2024 the Ochelata Utilities Authority entered into a promissory note with American Heritage Bank in a total amount of \$38,258 to require interest at a rate of 4% and monthly payments of \$705.

The following is a schedule of principal debt maturities for the next five years:

<u>Date</u>	<u>Principle</u>
6-30-25	\$ 62,500
6-30-26	65,190
6-30-27	65,876
6-30-28	66,535
6-30-29	67,200

On March 16, 2015 the Ochelata Economic Development Authority entered into a promissory note with American Heritage Bank to help finance the construction of industrial buildings for a wax plant located in town in a total amount of \$655,790 to require interest at a rate of 5.50% with 23 quarterly payments of \$21,045.

The following is a schedule of principal debt maturities for the next five years:

<u>Date</u>	<u>Principle</u>
6-30-25	\$ 50,059

Changes in Long Term Debt:

<u>Balance @</u>		<u>Decreases</u>	<u>Balance @</u>	<u>Due</u>
<u>7/1/23</u>	<u>Increases</u>		<u>6/30/24</u>	<u>One Year</u>
<u>\$ 578,371</u>	<u>\$ 0</u>	<u>\$ 145,044</u>	<u>\$ 433,327</u>	<u>\$112,559</u>

*Town of Ochelata*  
*Washington County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2024

**NOTE 6: OTHER INFORMATION**

**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; or acts of God. The Town purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**Commitments and Contingencies**

As of June 30, 2024 the Town had no pending tort claims as follows:

**Subsequent Events**

There were no subsequent events to disclose as of February 28, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

***Town of Ochelata***  
***Washington County, Oklahoma***  
*Budget and Actual - General Fund*  
 Budgeted Governmental Fund Types  
 For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget Variance</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
<u>Revenues:</u>					
Local sources	\$ 15,694	\$ 15,694	\$ 0	\$ (15,695)	\$ (15,695)
State Sources	201,080	167,466	167,466	(33,614)	(33,614)
Miscellaneous	<u>0</u>	<u>0</u>	<u>43,601</u>	<u>43,601</u>	<u>43,601</u>
Total revenues	<u>196,374</u>	<u>196,374</u>	<u>211,066</u>	<u>(5,708)</u>	<u>(5,708)</u>
<u>Expenditures</u>					
Personal Services	51,000	51,000	47,625	3,375	3,375
Maintenance/Operations	502,906	502,906	123,619	379,287	379,287
Capital Outlay	171,463	171,463	121,463	50,000	50,000
Intergovernmental	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>725,369</u>	<u>725,369</u>	<u>292,705</u>	<u>432,662</u>	<u>432,662</u>
Excess of Revenues over/(under) expenditures					
Before Other Sources/(Uses)	(528,995)	(528,995)	(81,639)	(447,356)	(447,356)
Cash Fund Balance, beginning	<u>528,995</u>	<u>528,995</u>	<u>528,995</u>	<u>0</u>	<u>0</u>
Cash Fund Balance, end of year	<u>\$ 0</u>	<u>\$ 0</u>	447,356	<u>\$ (447,356)</u>	<u>\$(447,356)</u>
Reconciliation to the Statement of In Revenues, Expenses and Changes in Fund Balances:					
Other Adjustments			<u>24,463</u>		
Fund Balance			<u>\$ 471,819</u>		

***Town of Ochelata***  
***Washington County, Oklahoma***  
Schedule of Findings and Questioned Costs  
Prior Year  
For the Year Ended June 30, 2024

**A. Audit Findings**

**PRIOR YEAR**

**2023-1: Segregation of Duties**

Currently, individual responsible for receiving payments of the Town and of the Town are the same individuals who post the accounting records, deposit money, pay invoices, and reconcile bank accounts.

For the fiscal year ending June 30, 2022, lack of segregation of duties is a concern. Efficient and effective separation of duties is difficult to obtain without hiring additional personnel. However, the governing body and management need to be aware of the continued risk associated with this lack of segregation of duties, and attempt to exercise maximum oversight control over possible areas of risk, such as cash receipts and cash payments.

**2023-2: SAS 115**

*Criteria* – 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. We believe that the following deficiencies constitute material weaknesses:

We, as auditors, was required to prepare the Town financial statements because the Town does not have adequate resources or resources with the knowledge required to prepare the Town's financial statements in accordance with generally accepted accounting principles. Additionally, we, as auditors, was required to make year-end adjustments including: accrual for notes payable during the current year because the Town doesn't have adequate resources or resources with the knowledge required to propose and book the Town's financial transactions that are not recurring in nature. These entries are necessary, however, to be in accordance with generally accepted accounting principles.

***Town of Ochelata***  
***Washington County, Oklahoma***  
Schedule of Findings and Questioned Costs  
Current Year  
For the Year Ended June 30, 2024

**CURRENT YEAR**

**2024-1:Segregation of Duties**

Currently, individual responsible for receiving payments of the Town and of the Town are the same individuals who post the accounting records, deposit money, pay invoices, and reconcile bank accounts.

For the fiscal year ending June 30, 2024, lack of segregation of duties is a concern. Efficient and effective separation of duties is difficult to obtain without hiring additional personnel. However, the governing body and management need to be aware of the continued risk associated with this lack of segregation of duties, and attempt to exercise maximum oversight control over possible areas of risk, such as cash receipts and cash payments.

**B. Questioned Costs**

NONE