

**TOWN OF PORUM  
PORUM, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2023**

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**AMY M HALE**

CERTIFIED PUBLIC ACCOUNTANT, PLLC

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## *Independent Auditor's Report*

The Honorable Mayor and Members of the Board of Trustees  
Town of Porum  
Porum, Oklahoma

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Porum, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Porum, Oklahoma, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 Town of Porum, 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.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Town of Porum, Oklahoma'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 GAAS and GAS 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 GAAS and GAS, 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 Town of Porum, Oklahoma'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 Town of Porum, Oklahoma'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.

#### ***Required Supplementary Information***

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Porum's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2024 on our consideration of Town of Porum, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Porum, Oklahoma's internal control over financial reporting and compliance.



Amy M Hale, CPA, PLLC  
Bristow, Oklahoma  
November 19, 2024

**TOWN OF PORUM, OKLAHOMA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 450,966	\$ 762,244	\$ 1,213,210
Investments	-	277,686	277,686
Taxes receivable	50,482	-	50,482
Accounts receivable	-	121,330	121,330
Interfund balances	49,488	(49,488)	-
Prepaid expenses	10,173	17,994	28,167
Insurance reserve	-	18,770	18,770
Debt service cash and cash equivalents	-	24,157	24,157
<b>Total current assets</b>	<b>561,109</b>	<b>1,172,693</b>	<b>1,733,802</b>
<b>Non-current assets:</b>			
<b>Capital assets:</b>			
Land	-	20,907	20,907
Other capital assets net of accumulated depreciation	599,101	3,499,327	4,098,428
<b>Total non-current assets</b>	<b>599,101</b>	<b>3,520,234</b>	<b>4,119,335</b>
<b>Total assets</b>	<b>1,160,210</b>	<b>4,692,927</b>	<b>5,853,137</b>
<b>Deferred outflow of resources:</b>			
Deferred charges on pension obligations	18,078	(916)	17,162
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	19,796	85,572	105,368
Payroll liabilities	5,087	12,053	17,140
Compensated absences	12,376	66,677	79,053
Accrued interest payable	-	2,620	2,620
Utility deposits	-	76,373	76,373
Capital lease payable, current	29,449	-	29,449
Note payable, current	-	87,057	87,057
<b>Total current liabilities</b>	<b>66,708</b>	<b>330,352</b>	<b>397,060</b>
<b>Non-current liabilities:</b>			
Pension obligation	(10,702)	(18,206)	(28,908)
Lease obligation, non-current	80,547	-	80,547
Note payable, non-current	-	318,523	318,523
<b>Total non-current liabilities</b>	<b>69,845</b>	<b>300,317</b>	<b>370,162</b>
<b>Total liabilities</b>	<b>136,553</b>	<b>630,669</b>	<b>767,222</b>
<b>Deferred inflow of resources:</b>			
Deferred charges on pension obligations	8,625	7,830	16,455
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	518,554	3,114,654	3,633,208
Designated	-	(41,202)	(41,202)
Assigned	418,797	-	418,797
<b>Reserved for:</b>			
Debt service	-	24,137	24,137
Insurance reserve	-	18,770	18,770
Unrestricted	95,759	937,153	1,032,912
<b>Total net position</b>	<b>\$ 1,033,110</b>	<b>\$ 4,053,512</b>	<b>\$ 5,086,622</b>

The accompanying notes are an integral part of this financial statement.

**TOWN OF PORUM, OKLAHOMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

FUNCTION/PROGRAMS	Program Revenue				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
General government	\$ 105,381	\$ 815	\$ 4,888	\$ 139,389	\$ 39,711
Public safety	457,143	208,503	13,553	30,208	(204,879)
Street and alley	140,122	-	4,423	-	(135,699)
Park	3,902	-	-	-	(3,902)
<b>Total Governmental Activities</b>	<b>706,548</b>	<b>209,318</b>	<b>22,864</b>	<b>169,597</b>	<b>(304,769)</b>
<b>Business-Type Activities</b>					
Utilities	1,798,057	1,648,054	-	99,999	(50,004)
Economic Development	1,237	-	-	-	(1,237)
<b>Total Business-Type Activities</b>	<b>1,799,294</b>	<b>1,648,054</b>	<b>-</b>	<b>99,999</b>	<b>(51,241)</b>
<b>Total Primary Government</b>	<b>\$ 2,505,842</b>	<b>\$ 1,857,372</b>	<b>\$ 22,864</b>	<b>\$ 269,596</b>	<b>\$ (356,010)</b>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in Net Position:</b>			
Net (expense) revenue	\$ (304,769)	\$ (51,241)	\$ (356,010)
<b>General Revenues and Transfers:</b>			
<b>Taxes</b>			
Sales	239,682	-	239,682
Use	61,501	-	61,501
Franchise	20,317	-	20,317
Cigarette	1,616	-	1,616
Gas	1,073	-	1,073
Donations	129	-	129
Interest	794	5,050	5,844
Other revenues	5,053	-	5,053
Transfers	(30,500)	30,500	-
<b>Total General Revenues and Transfers</b>	<b>299,665</b>	<b>35,550</b>	<b>335,215</b>
<b>Change in Net Position</b>	<b>(5,104)</b>	<b>(15,691)</b>	<b>(20,795)</b>
<b>Net Position - Beginning</b>	<b>1,038,214</b>	<b>4,069,203</b>	<b>5,107,417</b>
<b>Net Position - Ending</b>	<b>\$ 1,033,110</b>	<b>\$ 4,053,512</b>	<b>\$ 5,086,622</b>

The accompanying notes are an integral part of this financial statement.

**TOWN OF PORUM, OKLAHOMA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	General Fund	Street & Alley	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 41,122	\$ 267,504	\$ 142,340	\$ 450,966
Taxes Receivable	34,286	8,409	7,787	50,482
Prepaid Expenses	10,173	-	-	10,173
Due From Other Funds	50,864	-	-	50,864
Total Assets	<u>\$ 136,445</u>	<u>\$ 275,913</u>	<u>\$ 150,127</u>	<u>\$ 562,485</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 13,929	\$ 1,402	\$ 4,465	\$ 19,796
Payroll Liabilities	5,087	-	-	5,087
Due to other funds	-	1,376	-	1,376
Total Liabilities	<u>19,016</u>	<u>2,778</u>	<u>4,465</u>	<u>26,259</u>
<b>FUND BALANCES</b>				
Assigned	-	273,135	145,662	418,797
Unrestricted	117,429	-	-	117,429
Total Fund Balances	<u>117,429</u>	<u>273,135</u>	<u>145,662</u>	<u>536,226</u>
Total Liabilities and Fund Balances	<u>\$ 136,445</u>	<u>\$ 275,913</u>	<u>\$ 150,127</u>	<u>\$ 562,485</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF PORUM, OKLAHOMA  
RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL FUNDS  
WITH STATEMENT OF NET POSITION  
JUNE 30, 2023**

<b>Total Fund Balance</b>		<b>\$ 536,226</b>
<b>Amounts reported in the statement of net position are different because:</b>		
<b>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</b>		
Capital assets	1,348,037	
Accumulated depreciation	<u>(748,936)</u>	599,101
<b>Capital long-term liabilities are not due and payable from current financial resources and, therefore are not reported in the funds:</b>		
Capital lease payable		(109,996)
<b>Liabilities not due and payable in the Current period are not reported in the funds.</b>		
Compensated absences	(12,376)	
Net pension liability (measurement date is June 30, 2022)	<u>10,702</u>	(1,674)
<b>Deferred outflows and inflows of resources related to pensions</b>		
Deferred outflows of resources related to pensions	18,078	
Deferred inflows of resources related to pensions	<u>(8,625)</u>	<u>9,453</u>
<b>Total Net Position</b>		<b>\$ <u>1,033,110</u></b>

The accompanying notes are an integral part of this financial statement.

**TOWN OF PORUM, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Street & Alley	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>				
Sales tax	140,961	47,355	51,366	239,682
Use tax	61,501	-	-	61,501
Franchise tax	20,317	-	-	20,317
Motor vehicle tax	-	4,423	-	4,423
Gasoline tax	-	1,073	-	1,073
Cigarette tax	1,616	-	-	1,616
Alcoholic beverage tax	4,888	-	-	4,888
Fines and forfeitures	-	-	208,503	208,503
Licenses and permits	815	-	-	815
Grants	-	-	121,353	121,353
ARPA Funds	61,797	-	-	61,797
Donations	129	-	-	129
Other revenue	5,053	-	-	5,053
Interest	729	-	65	794
<b>Total Revenue</b>	<b>297,806</b>	<b>52,851</b>	<b>381,287</b>	<b>731,944</b>
<b>Expenditures:</b>				
General government	89,624	-	72	89,696
Police department	348,483	-	30,208	378,691
Parks and recreation	1,308	-	-	1,308
Court	4,852	-	-	4,852
Fire department	-	-	119,735	119,735
Street	-	48,695	86,321	135,016
Animal Control	15,811	-	-	15,811
<b>Total Expenditures</b>	<b>460,078</b>	<b>48,695</b>	<b>236,336</b>	<b>745,109</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(162,272)</b>	<b>4,156</b>	<b>144,951</b>	<b>(13,165)</b>
<b>Transfers:</b>				
Transfers in	153,250	-	-	153,250
Transfers out	(46,500)	-	(137,250)	(183,750)
<b>Total Transfers</b>	<b>106,750</b>	<b>-</b>	<b>(137,250)</b>	<b>(30,500)</b>
<b>Net change in fund balance</b>	<b>(55,522)</b>	<b>4,156</b>	<b>7,701</b>	<b>(43,665)</b>
<b>Fund balances, beginning</b>	<b>172,951</b>	<b>268,979</b>	<b>137,961</b>	<b>579,891</b>
<b>Fund balances, ending</b>	<b>117,429</b>	<b>273,135</b>	<b>145,662</b>	<b>536,226</b>

The accompanying notes are an integral part of this financial statement.



**TOWN OF PORUM, OKLAHOMA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Net Change in fund balances - total governmental funds	\$	(43,665)
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Amounts reported for governmental activities in  
the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the combined statements of net position and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(55,672)	
Capital outlay	186,656	130,984

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activity:

Proceeds of capital lease	(105,691)	
Capital lease obligation principal payments	37,934	(67,757)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net (increase)/decrease in compensated absences.

(505)

Governmental fund report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contribution is reported as pension expenses:

Employer pension contributions	7,763	
Cost of benefits earned net of employee and State contributions	(31,924)	(24,161)

TOTAL NET ASSETS	\$	(5,104)
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The accompanying notes are an integral part of this financial statement.

**TOWN OF PORUM, OKLAHOMA**  
**STATEMENT OF FUND NET POSITION – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Public Works	Porum Development Authority	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 729,582	\$ 32,662	\$ 762,244
Investments	277,686	-	277,686
Accounts receivable	121,330	-	121,330
Due from other funds	24,376	-	24,376
Prepaid expense	17,994	-	17,994
Insurance reserve	18,770	-	18,770
Debt Service Cash and cash equivalents	24,157	-	24,157
<b>Total Current Assets</b>	<b>1,213,895</b>	<b>32,662</b>	<b>1,246,557</b>
<b>Non-Current Assets:</b>			
<b>Capital assets:</b>			
Land	11,050	9,857	20,907
Capital assets, net of accumulated depreciation	3,446,535	52,792	3,499,327
<b>Total Non-Current Assets</b>	<b>3,457,585</b>	<b>62,649</b>	<b>3,520,234</b>
<b>Total Assets</b>	<b>4,671,480</b>	<b>95,311</b>	<b>4,766,791</b>
<b>Deferred outflow of resources:</b>			
Deferred charges on pension obligations	(916)	-	(916)
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Due to other funds	-	73,864	73,864
Accounts payable	85,572	-	85,572
Payroll Liabilities	12,053	-	12,053
Compensated absences	66,677	-	66,677
Accrued interest	2,620	-	2,620
Utility deposits	76,373	-	76,373
Note payable, current	87,057	-	87,057
<b>Total Current Liabilities</b>	<b>330,352</b>	<b>73,864</b>	<b>404,216</b>
<b>Non-Current Liabilities:</b>			
Pension Obligation	(18,206)	-	(18,206)
Note payable, non-current	318,523	-	318,523
<b>Total Non-Current Liabilities</b>	<b>300,317</b>	<b>-</b>	<b>300,317</b>
<b>Total Liabilities</b>	<b>630,669</b>	<b>73,864</b>	<b>704,533</b>
<b>Deferred inflow of resources:</b>			
Deferred charges on pension obligations	7,830	-	7,830
<b>NET POSITION:</b>			
Invested in capital assets, net of related debt	3,052,005	62,649	3,114,654
Restricted for debt service	24,137	-	24,137
Reserved for insurance reserve	18,770	-	18,770
Designated for economic development	-	(41,202)	(41,202)
Unrestricted	937,153	-	937,153
<b>Net Position of Business-Type Activities</b>	<b>\$ 4,032,065</b>	<b>\$ 21,447</b>	<b>\$ 4,053,512</b>

The accompanying notes are an integral part of this financial statement.

**TOWN OF PORUM, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Public Works	Porum Development Authority	Total
<b>Operating Revenues:</b>			
Charges for Services:			
Water charges	1,128,324	-	1,128,324
Wastewater charges	45,453	-	45,453
Sanitation charges	318,343	-	318,343
Membership tie-in fees	66,774	-	66,774
Meter Surcharge	29,906	-	29,906
Turn-on charges	16,859	-	16,859
Penalties	16,505	-	16,505
Other	25,890	-	25,890
<b>Total Operating Revenues</b>	<b>1,648,054</b>	<b>-</b>	<b>1,648,054</b>
<b>Operating Expenses:</b>			
Personal services	415,562	-	415,562
Payroll tax and benefits	94,479	-	94,479
Retirement	217,184	-	217,184
Contract labor	10,000	-	10,000
Fuel	26,443	-	26,443
Repairs	220,440	-	220,440
Sanitation contractor	315,770	-	315,770
Professional fees	10,281	-	10,281
Insurance	23,913	-	23,913
Materials and supplies	133,322	-	133,322
Office	59,744	-	59,744
Bad Debt	4,701	-	4,701
License and permits	14,841	-	14,841
Other operating expense	35,102	-	35,102
Utilities and telephone	46,843	-	46,843
Depreciation	159,783	1,237	161,020
<b>Total Operating Expenses</b>	<b>1,788,408</b>	<b>1,237</b>	<b>1,789,645</b>
<b>Operating Income (Loss)</b>	<b>(140,354)</b>	<b>(1,237)</b>	<b>(141,591)</b>
<b>Non-Operating Revenue (Expenses)</b>			
Grants	99,999	-	99,999
Investment income	4,452	598	5,050
Interest on notes payable	(9,649)	-	(9,649)
<b>Total Non-Operating Revenue (Expenses)</b>	<b>94,802</b>	<b>598</b>	<b>95,400</b>
<b>Income before transfers</b>	<b>(45,552)</b>	<b>(639)</b>	<b>(46,191)</b>
<b>Transfers in (out)</b>	<b>30,500</b>	<b>-</b>	<b>30,500</b>
<b>Change in Net Position of Business-Type Activities</b>	<b>(15,052)</b>	<b>(639)</b>	<b>(15,691)</b>
<b>Total Net Position, Beginning</b>	<b>4,047,117</b>	<b>22,086</b>	<b>4,069,203</b>
<b>Total Net Position, Ending</b>	<b>4,032,065</b>	<b>21,447</b>	<b>4,053,512</b>

The accompanying notes are an integral part of this financial statement.

**TOWN OF PORUM, OKLAHOMA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2023**

	Public Works	Porum Development Authority	Total
Cash flows from operating activities:			
Cash received from customers	1,636,652	-	1,636,652
Cash payments to employees	(543,490)	-	(543,490)
Cash payments to suppliers for good and services	(831,189)	-	(831,189)
Net cash provided/(used) by operating activities	261,973	-	261,973
Cash flows from capital and related financing activities:			
Acquisition of fixed assets	(312,973)	(9,857)	(322,830)
Grant from OWRB	99,999	-	99,999
Interest paid on notes payable and fiscal fees	(9,982)	-	(9,982)
Principal paid on notes payable	(85,550)	-	(85,550)
Net cash provided/(used) by operating activities	(308,506)	(9,857)	(318,363)
Cash flows from non-capital and related financing activities:			
Transfers in/(out)	30,500	-	30,500
Net cash flows from non-capital and related financing activities	30,500	-	30,500
Cash flows from investing activities:			
Transfer to investments	(3,906)	-	(3,906)
Transfer to debt service reserve	(5,861)	-	(5,861)
Investment income	4,452	598	5,050
Net Cash flows from investing activities	(5,315)	598	(4,717)
Net increase in cash and cash equivalents	(21,348)	(9,259)	(30,607)
Cash and cash equivalents, beginning	750,930	41,921	792,851
Cash and cash equivalents, ending	729,582	32,662	762,244
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	(140,354)	(1,237)	(141,591)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	159,783	1,237	161,020
Changes in assets and liabilities:			
(Increase)/decrease in:			
Accounts receivable	(18,602)	-	(18,602)
Insurance reserve	(10,276)	-	(10,276)
Due from other funds	36,541	-	36,541
Prepaid Expenses	(1,445)	-	(1,445)
Deferred Outflow	104,360	-	104,360
Increase/(decrease) in:			
Accounts payable	45,391	-	45,391
Payroll liabilities	(6,240)	-	(6,240)
Compensated absences	140	-	140
Utility deposits	7,200	-	7,200
Pension Obligation	80,734	-	80,734
Deferred Inflow	4,742	-	4,742
Net cash provided by operating activities	261,973	-	261,973

The accompanying notes are an integral part of this financial statement.

**TOWN OF PORUM, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Porum, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, public safety, public works, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria Porum Public Works Authority and Porum Development Authority are component units. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of Porum Public Works Authority and Porum Development Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

Porum Public Works Authority was created October 29, 1962 under the provisions of Title 60 Oklahoma Statutes Sections 176 to 180. The Authority is managed by a Board of Trustees made up of members of the Town Board of Trustees. The Authority operates water, sanitation, and sewer services for the Town of Porum. The Authority is reported as a proprietary fund.

Porum Development Authority was created June 15, 2004 under the provisions of Title 60, Oklahoma Statutes, Section 176 to 180. The Development Authority is managed by a Board of Trustees made up of the Town Board of Trustees. The Development Authority was created for the purpose of promoting economic development in the Porum area. The Development Authority is reported as a proprietary fund.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America applicable to government units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to

**TOWN OF PORUM, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the Town are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of Town component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charged to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

**TOWN OF PORUM, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

- General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.
- Street Fund - This fund is used to account street related revenues and expenditures.

Proprietary Funds - The Town reports the following major enterprise funds:

- Porum Public Works Authority - The Authority provides certain utility services for the Town.
- Porum Development Authority - The Authority's purpose is for economic development.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: Personal services, Other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Trustees. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Board approval. Revisions to the budget were made during the year.

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances.

**TOWN OF PORUM, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2023 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-50

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide, proprietary, fiduciary, and component unit financial statements. Governmental funds report only matured absences payable to currently terminating employees and are included in wages and benefits payable.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.



**TOWN OF PORUM, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Governmental Funds Fund Balances

The fund balances are divided into three components:

- Nonspendable – consists of the amount of fund balance within a governmental fund that cannot be spent either because it is not in spendable form (most commonly evidenced by inventory, prepaid assets, and long-term portions of receivables); or it is legally or contractually required to remain intact (most commonly evidenced by the nonexpendable principal in a permanent fund).
- Restricted – consists of assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restriction on shared revenues), by grantors (both federal and state), and by other contributors as applicable.
- Committed – consists of assets for which *formal* constraints that have been placed on resources within fund balance through formal action of the government's highest decision-making authority
- Assigned – consists of assets for which *intentional* constraints placed on resources within fund balance either by the governing board or its appointees
- Unassigned – all other net position is reported in this category.

Proprietary Funds Net Position

The net position are divided into three components:

- Invested in capital assets, net of related debt – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted – consists of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restriction on shared revenues), by grantors (both federal and state), and by other contributors as applicable.
- Unrestricted – all other net position is reported in this category.

**NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the District, and are held by counterparty or the counterparty's trust department but not in the name of the District. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2023, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

**TOWN OF PORUM, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$1,515,053 at June 30, 2023. The bank balance of the deposits at June 30, 2023 was approximately \$1,533,589.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2023.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the District's interest rate risk. As of June 30, 2023, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

**NOTE C - ACCOUNTS RECEIVABLE**

The Town records the total due on utility accounts owed the proprietary fund for services unpaid at June 30. Any uncollectible amounts are written-off as they become collectible.

The governmental funds have accrued sales tax, alcoholic beverage tax, gasoline excise tax, and motor vehicle tax to be received in July and August.

**NOTE D - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at June 30, 2023 are as follows:

<u>Amount</u>	<u>Due to other funds</u>	<u>Due from other funds</u>
73,864	Development Authority	Public Works
49,488	Public Works	General
1,376	Street & Alley	General
<u>124,728</u>		

**NOTE E - INSURANCE RESERVE**

The Proprietary Fund reserved net position for insurance reserve relate to risk management activities. Town of Porum, Oklahoma's risk management activities consist of purchasing policies from commercial insurance carriers. As part of its risk management activity, the Town has purchased workers' compensation insurance from Oklahoma Municipal Assurance Group (the Group). The premium paid for the workers' compensation insurance includes an amount which is placed in a loss fund for the Town of Porum, Oklahoma. The balance of the premium is used for administration of the insurance and obtaining insurance coverage. The loss fund is an actuarially determined estimate of the Town's expected workers' compensation claims during the policy period. At June 30, 2023, the balance in the fund was \$2,620.

**TOWN OF PORUM, OKLAHOMA**  
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If the actual losses are less than the amount of the loss fund, the difference may be refunded to the Town or placed in an escrow account for the Town of Porum, Oklahoma. Refunds may begin as early as two years after the end of the plan year. The reinsurance purchased by the Group covers claims in excess of the loss fund. The Town of Porum, Oklahoma is not obligated to pay any amount in excess of its annual premium. The amount in the escrow account at June 30, 2023 was \$16,150. This money may be refunded on written request.

**NOTE F - DEBT SERVICE CASH AND CASH EQUIVALENTS**

The trustee bank for notes payable listed in Note H maintains reserve and sinking fund accounts to accumulate resources for the retirement of the debt. At June 30, 2023, the trustee bank was holding \$24,157 for use in retiring the debt.

**NOTE G - CAPITAL ASSETS**

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED				Capital Assets Not Depreciated Land
	BUILDINGS	Infrastructure & Improvements Other than Buildings	Furniture, Machinery, and Equipment	Totals	
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental Activities</b>					
Balance, December 31, 2021	\$ 107,539	\$ 322,898	\$ 730,944	\$ 1,161,381	\$ -
Increases	-	58,149	128,507	186,656	-
Decreases	-	-	-	-	-
Balance, December 31, 2022	107,539	381,047	859,451	1,348,037	-
<b>Accumulated Depreciation</b>					
Balance, December 31, 2021	64,926	149,579	478,759	\$ 693,264	
Increases	2,118	7,790	45,764	55,672	
Decreases	-	-	-	-	
Balance, December 31, 2022	67,044	157,369	524,523	748,936	
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 40,495</b>	<b>\$ 223,678</b>	<b>\$ 334,928</b>	<b>\$ 599,101</b>	<b>\$ -</b>
<b>Business-Type Activities</b>					
Balance, December 31, 2021	\$ 74,219	\$ 6,795,737	\$ 998,834	\$ 7,868,790	\$ 11,050
Increases	-	131,501	181,472	312,973	9,857
Decreases	-	-	-	-	-
Balance, December 31, 2022	74,219	6,927,238	1,180,306	8,181,763	20,907
<b>Accumulated Depreciation</b>					
Balance, December 31, 2021	20,190	3,800,380	700,846	4,521,416	
Increases	1,237	118,655	41,128	161,020	
Decreases	-	-	-	-	
Balance, December 31, 2022	21,427	3,919,035	741,974	4,682,436	
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 52,792</b>	<b>\$ 3,008,203</b>	<b>\$ 438,332</b>	<b>\$ 3,499,327</b>	<b>\$ 20,907</b>
<b>Capital Assets, Net</b>	<b>\$ 93,287</b>	<b>\$ 3,231,881</b>	<b>\$ 773,260</b>	<b>\$ 4,098,428</b>	<b>\$ 20,907</b>

**DEPRECIATION EXPENSE**

Depreciation expense was charged to functions of the primary government as follows:

General government	5,368	Utilities	159,783
Public Safety	42,604	Economic Development	1,237
Street	5,106		
Park	2,594		

**TOWN OF PORUM, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE H - CAPITAL LEASES**

The City has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the City the ability to terminate the lease agreement at the end of each fiscal year.

Capital lease transactions for the year ended June 30, 2023 are as follows:

<b>Capital Leases</b>	<b>Balance at July 1, 2022</b>	<b>Retired/Added</b>	<b>Balance at June 30, 2023</b>
Armstrong Bank	\$ 9,210	\$ (9,210)	\$ -
Armstrong Bank	9,960	(9,960)	-
Armstrong Bank	23,069	(9,088)	13,981
Armstrong Bank	-	96,015	96,015
<b>Total</b>	<b>\$ 42,239</b>	<b>\$ 67,757</b>	<b>\$ 109,996</b>

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

<b>Year Ended December 31:</b>	<b>Police Vehicle</b>	<b>2 Police Vehicles</b>	<b>Payments</b>
<b>2024</b>	\$ 9,727	\$ 23,370	\$ 33,097
<b>2025</b>	4,864	23,370	28,234
<b>2026</b>	-	23,370	23,370
<b>2027</b>	-	23,370	23,370
<b>2028</b>	-	11,686	11,686
<b>Total</b>	<b>14,591</b>	<b>105,166</b>	<b>119,757</b>
<b>Less Interest</b>	<b>(610)</b>	<b>(9,151)</b>	<b>(9,761)</b>
<b>Total</b>	<b>\$ 13,981</b>	<b>\$ 96,015</b>	<b>\$ 109,996</b>

**NOTE I - NOTES PAYABLE PROPRIETARY FUND**

The Authority has incurred indebtedness for the expansion of system facilities.

The following is a summary of note payable transactions for the year ended June 30, 2023:

	<b>Payable at July 1, 2022</b>	<b>Retired/Added</b>	<b>Balance at June 30, 2023</b>
Water Resources Board	\$ 361,853	\$ (69,950)	\$ 291,903
Water Resources Board	129,277	(15,600)	113,677
	<b>\$ 491,130</b>	<b>\$ (85,550)</b>	<b>\$ 405,580</b>

**TOWN OF PORUM, OKLAHOMA**  
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A brief description of the outstanding notes payable at June 30, 2023 is set forth below:

<u>Outstanding</u>	<u>Amount</u>
Oklahoma Water Resource Board loan dated October 5, 2016,	
original loan amount of \$780,000, interest rate variable, interest rate at June 30, 2021 was 1.70%, principal and interest determined by trustee bank every six months, matures in March 2027.	\$ 291,903
Oklahoma Water Resource Board loan dated November 30, 2017,	
original loan amount of \$496,117, interest rate variable, interest rate at June 30, 2021 was 2.40%, principal and interest determined by trustee bank every six months, matures March 2027.	<u>113,677</u>
<b>Total</b>	<b><u>\$ 405,580</u></b>

The annual principal payments due over the next five years and thereafter are as follows. Actual debt service requirements will vary depending on the variable interest rate in effect at the time of payment.

<u>Year Ended</u> <u>June 30:</u>	<u>Principal</u>
2024	\$ 87,057
2025	88,605
2026	90,173
2027	91,768
2028	<u>47,977</u>
Total	<b><u>\$ 405,580</u></b>

The Authority incurred interest and fees of \$8,992 on long-term debt during the year. Future year interest payments will depend on the interest rate at the time of payment.

**NOTE J - DEBT SERVICE COVERAGE**

The revenue bond indenture requires the Public Works Authority maintain a schedule of charges, fees, and rates sufficient to produce annual net revenues not less than 1.25 times average annual debt service requirements after payment of all operating and maintenance expense. The appropriation of sales tax by the Town of Porum to the Authority is included for the purpose of calculating net revenue.

Ratio of net revenue to debt service follows:

Operating revenue	\$ 1,648,054
Operating expenditures, less depreciation	<u>1,524,265</u>
Revenue available for debt service	<u>123,789</u>
Average annual debt service	<u>85,550</u>
Coverage ratio	1.45 to 1

Operating expenditures were adjusted for pension accruals for the above calculation.

**TOWN OF PORUM, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE K - DEFINED BENEFIT PENSION PLANS**

The Town participates in two employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Defined Benefit Plan</u>
Oklahoma Firefighters Pension and Retirement Plan (OFPRS)	Cost Sharing Multiple Employer
Oklahoma Municipal Retirement Fund (OMRF)	Agent Multiple Employer

Plan Descriptions

The Town of Porum, as employer, contributes to one cost-sharing multiple-employer defined benefit pension plans on behalf of the firefighters and to the OMRF for all other eligible employees. The plans provide retirement and disability benefits, and death benefits to plan members and beneficiaries. The cost to administer the OFPRS plans is financed through the contributions, insurance premium taxes, state appropriations, and investment earnings. The OMRF plan is financed through contributions and investment earnings. Each plan issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained as follows: Firefighters Pension and Retirement System – [www.ok.gov/FPRS](http://www.ok.gov/FPRS) and the Oklahoma Municipal Retirement Fund at [www.okmrf.org](http://www.okmrf.org).

The Oklahoma Firefighters Pension Retirement System is administrator of the Oklahoma Firefighters Pension and Retirement Plan (OFPRS). The System is a part of the State financial reporting entity, which is combined with other similar funds to comprise the fiduciary pension trust funds of the State. Responsibility for administration of the OFPRS is assigned to the Oklahoma Firefighters Pension and Retirement System Board of Trustees comprised of thirteen members including the five members of the Board of Trustees of the Oklahoma State Firefighters Association, one member of the Professional Firefighters Associations, one member of the Oklahoma State Retired Firefighters Association, one member each appointed by the Oklahoma House and Senate, two members appointed by the Oklahoma Municipal League, and the State Insurance Commissioner or designee.

Plan Benefits

The two plans provide defined retirement benefits based on the members final average compensation, age, and term of services. In addition, the retirement programs provide for benefits upon disability and to survivors upon the death of eligible members. Benefits are established and amended by state statute for the OFPRS and by the Town Council for the OMRF.

Retirement provisions for each plan are as follows:

**OFPRS**

Benefits and eligibility for full time members hired with 20 years credited service are determined as 2.5 percent of the employee's final average compensation multiplied by the years of credited service with a maximum of 30 years considered; If vested, at or after age 50, or after 10 but before 20 years of Credited service, with reduced benefits.

Benefits and eligibility for volunteer members hired with 20 years credited service equal to \$5.46 per month per year of service with a maximum of 30 years considered. Benefits vest with 10 years.

All full-time or voluntary firefighters of a participating municipality hired before age 45 are eligible to participate.

**TOWN OF PORUM, OKLAHOMA**  
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**OMRF**

The Town maintains a defined benefit retirement plan which covers employees not covered by other plans. The plan operates as a trust maintained by the Oklahoma Municipal Retirement Fund (OMRF). All regular, full-time City employees not covered by other plans are required to participate in OMRF. Benefits vest after ten years of service. Effective July 1, 1993, employees who retire at age 65 or completion of ten years of service, if later, are entitled to annual retirement benefits, payable monthly in an amount equal to 1.875% of final average compensation multiplied by the number of years credited service. Final average compensation is defined as the average of the five highest consecutive annual salaries out of the last ten calendar years of service.

**Member and Employer Contributions**

The contribution requirements of the OFPRS plans are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. The Town's OMRF plan operates as a trust maintained by the Oklahoma Municipal Retirement Fund (OMRF). Specific requirements for each plan are as follows:

**OPFRS**

The Town contributes \$60 for each volunteer firefighter. The Oklahoma Legislature has the authority to establish and amend contribution amounts. The State of Oklahoma, a non-employer contributing entity, presently allocates 36% of the insurance premium tax collected from various types of insurance policies to the Plan. The State of Oklahoma may also appropriate additional funds annually as needed to pay current costs and to amortize the unfunded actuarial present value of accumulated plan benefits.

**OMRF**

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so sufficient assets will be available to pay benefits when due. Required contributions are determined using the aggregate entry age normal cost method.

The unfunded actuarial liability (UAL) is the excess of the total actuarial liability for active and non-active participants, over the actuarial value plan assets. This amount (redetermined each year) is amortized as a level dollars amount over 30 years from the amortization base date. The amortization base date is initially set as the 2022 valuation date. Experience gains (decrease in cost due to favorable experience), or experience losses (increase in cost due to adverse experience), attributable to deviations between the assumed and actual experience of the Plan, are amortized as part of the UAL.

The market value of plan assets is compared to the expected value based on the prior year market value to determine the investment gain or loss for the year. The gain or loss is then recognized ratably over a 5-year period beginning on the valuation date.

For the fiscal year ended June 30, 2023, employees were required to contribute 9.5% of annual compensation. The City is required to contribute the remaining amounts necessary to fund the pension plan, using an actuarial basis. The City's contribution rate, for the fiscal year ended June 30, 2023 was 7%. During the year ended June 30, 2022, the City and the employees contributed \$29,443 and \$9,464, respectively, to the OMRF.

**TOWN OF PORUM, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

For the year ended June 30, 2023, the Town recognized pension expense of \$6,587 for the OFPRS plan and \$235,779 for the OMRF plan. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to the two defined benefit pension plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>OFPRS</b>		
Difference between expected and actual plan experience	\$ 4,130	\$ 162
Net difference between projected and actual earnings on pension plan investments	14,206	10,467
Changes in assumptions	-	205
Contributions subsequent to the measurement date	-	-
<b>OMRF</b>		
Difference between expected and actual plan experience	-	(10,039)
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in assumptions	(9,752)	-
Contributions subsequent to the measurement date	8,578	-
	<u>\$ 17,162</u>	<u>\$ 795</u>
<b>Reconciliation to the Statement of Net Position:</b>		
Governmental activities	\$ 18,078	\$ 8,625
Business-type activities	(916)	(7,830)
Discretely presented component unit (PDA)	-	-
Total pension related	<u>\$ 17,162</u>	<u>\$ 795</u>

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023 as follows: \$18,078 for governmental activities, \$(916) for business-type activities, and none for Porum Development Authority (PDA), a discretely presented component unit.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2022 is 6.94 years for the OFPRS.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the aggregated two pension plans will be recognized in pension expense (revenue) as follows:

<b>Year ended June 30:</b>		
2024	\$	6,330
2025		6,613
2026		7,438
2027		26,783
2028		1,083
Thereafter		-
	<u>\$</u>	<u>48,247</u>



**TOWN OF PORUM, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

For all plans, valuations are based on actuarial assumptions, the benefit provisions, and census of system members. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. Any unfunded actuarial accrued liability is amortized based on a level percentage of payroll.

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	OFPRS	OMRF
Inflation	2.75%	3.00%
Salary increases	2.75%-10.50%	4.00%-7.42%
Salary inflation	3.00%	-
Investment rate of return	7.50%, net of investment expenses	7.50%, net of investment expenses
Cost-of-living	Half of the dollar amount of a 3% assumed increase in base pay for firefighters with 20 years of service as of May 26, 1983. No COLA is assumed for members not eligible for this increase.	No current provision

Mortality rates for OFPRS were based on the RP-2000 Blue Collar Healthy Combined with generational mortality improvement using Scale AA. The OMRF Plan uses the UP 94 mortality scale (projected).

The most recent experience study for OFPRS considered actual System experience for the period July, 2007 through June 30, 2012. The last Analysis of Demographic Experience of the OMRF considered Fund experience for the years 2007-2011. Total Pension Liability for the Plan as of June 30, 2022 is based on the results of an actuarial valuation date of July 1, 2022.

The long-term expected rate of return on pension plan investments for all plans was determined using the building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major class included in each pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	OFPRS	OMRF		
	Real Return	LT Expected Target	Real Return	LT Expected Weighted Return
Domestic equity	5.66%	35.00%	5.80%-6.40%	1.45%-0.64%
International equity	8.34%	20.00%	6.20%	1.24%
Other equity	-	10.00%	5.00%	0.50%
Domestic fixed income	3.62%	30.00%	2.30%	0.69%
Global fixed income	-	-	-	-
Real estate	7.64%	5.00%	4.60%	0.23%
Other assets	5.08%	-	-	-
			Total	4.75%
			Inflation	2.75%
				7.50%
Target weighting by class:				
Total fixed income target	10.00%-30.00%	30.00%		
Total equity target	45.00%-65.00%	65.00%		
Total other assets target	5.00%-28.00%	5.00%		

**TOWN OF PORUM, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

Discount Rate

The discount rate used to measure the total pension liability for OFPRS was 7.50% for all plans. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at the contractually required rates, determined by State statutes, for the OFPRS plan and at the actuarially determined rate for the OMRF plan. Projected cash flows also assume that the State of Oklahoma will continue contributing 36% of the insurance premium for OFPRS, respectively, as established by statute. For all plans, the pension plans' fiduciary net positions were expected to be available to make all projected future benefit payments of current plan members for all future years and hence, the blended GASB discount rate is equal to the long-term rate of return of 7.50% for all plans ("specified rate").

*Changes in Net Pension Liability (Asset) – Agent Multiple Employer Plan (OMRF)*

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2021 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2021 and the Town's report ending date of June 30, 2022 that would have had a significant impact on the net pension asset. The following table reports the components of changes in net pension asset for the OMRF plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 7/1/2022	\$ 479,542	\$ 606,388	\$ (126,846)
Changes for the year:			
Service cost	18,238	-	18,238
Interest cost	35,447	-	35,447
Difference between expected and actual experience	10,039	-	10,039
Assumption changes	(492)	-	(492)
Contributions - Employer	-	29,443	(29,443)
Contributions - Employee	-	9,464	(9,464)
Net investment income	-	(78,122)	78,122
Benefit payments, including refunds of employee contributions	(14,078)	(14,078)	-
Benefit changes due to plan amendments	-	-	-
Administrative expenses	-	(1,058)	1,058
Net changes	49,154	(54,351)	103,505
Balance at 7/1/2023	\$ 528,696	\$ 552,037	\$ (23,341)

*Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate.*

The following presents the Town's proportionate share of the net pension liability (asset) calculated using the specified discount rate, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the specified current rate:

**TOWN OF PORUM, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Town of Porum's Net Pension Liability (Asset)**

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Discount rate used:			
Cost sharing plans - proportionate share:			
Oklahoma Firefighters Pension and Retirement			
Total net pension liability - cost sharing plans	\$ -	\$ (5,567)	\$ -
Agent plan - "stand alone" determination:			
Oklahoma Municipal Retirement System			
Total net pension liability - agent plan	<u>56,575</u>	<u>(23,341)</u>	<u>(88,059)</u>
Total - All Town of Porum's Plans	<u>\$ 56,575</u>	<u>\$ (28,908)</u>	<u>\$ (88,059)</u>
Reconciliation to Statement of Net Position			
Governmental activities	\$ (10,702)		
Business-type activities	(18,206)		
Discretely presented component unit (PDA)	-		
Total net pension liability	<u>\$ (28,908)</u>		

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in separately issued financial reports for each pension system.

The OFPRS issues a publicly available financial report that includes financial statements and the required supplementary information for each pension system. Those reports may be obtained as follows: Oklahoma Firefighters Pension and Retirement System (OFPRS) – [www.ok.gov/FPFRS](http://www.ok.gov/FPFRS) and the Oklahoma Municipal Retirement Fund at [www.okmrf.org](http://www.okmrf.org).

*Payables to the pension plans*

At June 30, 2023 the Town reported no payables to the defined benefit pension plans for legally required employer contributions.

**NOTE L – 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; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE M - FEDERAL AND STATE GRANTS**

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**TOWN OF PORUM, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE N - SUBSEQUENT EVENTS**

The Town evaluated subsequent events through November 19, 2024 the date which financial statements were available, to determine if any items need to be disclosed. The Town is not aware of any items which need disclosure.

**TOWN OF PORUM, OKLAHOMA**  
**BALANCE SHEET – NONMAJOR FUNDS**  
**JUNE 30, 2023**

	Grant	Fire Department	Court	Total Nonmajor Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 89,017	\$ 37,655	\$ 15,668	\$ 142,340
Taxes receivable	-	7,787	-	7,787
<b>TOTAL ASSETS</b>	<b>\$ 89,017</b>	<b>\$ 45,442</b>	<b>\$ 15,668</b>	<b>\$ 150,127</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 1,890	\$ 2,575	\$ 4,465
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1,890</b>	<b>2,575</b>	<b>4,465</b>
<b>FUND BALANCES</b>				
Designated	89,017	43,552	13,093	145,662
<b>TOTAL FUND BALANCES</b>	<b>89,017</b>	<b>43,552</b>	<b>13,093</b>	<b>145,662</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 89,017</b>	<b>\$ 45,442</b>	<b>\$ 15,668</b>	<b>\$ 150,127</b>

**TOWN OF PORUM, OKLAHOMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Grant</u>	<u>Fire Department</u>	<u>Court</u>	<u>Total Nonmajor Funds</u>
<b>Revenue:</b>				
Sales tax	\$ -	\$ 51,366	\$ -	\$ 51,366
Fire runs	-	-	-	-
Grants	107,800	13,553	-	121,353
Fines and forfeitures	-	-	208,503	208,503
Interest	65	-	-	65
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>107,865</u>	<u>64,919</u>	<u>208,503</u>	<u>381,287</u>
<b>Expenditures:</b>				
General government	72	-	-	72
Police department	30,208	-	-	30,208
Court	-	-	119,735	119,735
Fire department	-	86,321	-	86,321
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>30,280</u>	<u>86,321</u>	<u>119,735</u>	<u>236,336</u>
Excess (deficiency) of revenue over expenditures	77,585	(21,402)	88,768	144,951
<b>Transfers:</b>				
Transfers in	-	-	-	-
Transfers out	(50,000)	-	(87,250)	(137,250)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Transfers	<u>(50,000)</u>	<u>-</u>	<u>(87,250)</u>	<u>(137,250)</u>
Net change in fund balance	27,585	(21,402)	1,518	7,701
Fund balances, beginning	61,432	64,954	11,575	137,961
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ 89,017</u>	<u>\$ 43,552</u>	<u>\$ 13,093</u>	<u>\$ 145,662</u>

# **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***

## *Independent Auditor's Report*

The Honorable Members of the Board of Trustees  
Town of Porum, 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 (*Government Auditing Standards*), the 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 Porum, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Porum, Oklahoma's basic financial statements, and have issued our report thereon dated November 19, 2024.

### ***Report on Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Town of Porum, Oklahoma'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 or significant deficiencies may exist that were not identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Town of Porum, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Porum, Oklahoma's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Porum, Oklahoma's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read 'Amy M Hale', is positioned above the printed name and date.

Amy M Hale, CPA, PLLC  
Bristow, Oklahoma  
November 19, 2024