

TOWN OF BRAMAN

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2024

TOWN OF BRAMAN
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Braman, Oklahoma

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities and each major fund of the Town of Braman, Oklahoma (the Town), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

Basis for Opinions

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Town and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Emphasis of Matter—Basis of Accounting

I draw attention to Note 1.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. My 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 the financial statements in accordance with the modified cash basis of accounting, 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 the Town'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

My 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 my 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*, I:

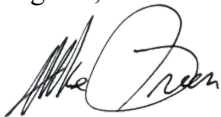
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 4, 2024, on my consideration of the Town's internal control over financial reporting and on my 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 my 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'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's internal control over financial reporting and compliance.

Regards,



Michael W. Green, CPA

October 4, 2024

TOWN OF BRAMAN
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2024

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 90,284	\$ 4,809	\$ 95,093
Restricted cash and cash equivalents	89,490	-	89,490
Total current assets	<u>179,774</u>	<u>4,809</u>	<u>184,583</u>
Noncurrent assets			
Construction in Progress	247,501	-	247,501
Buildings, property and equipment	942,863	1,227,938	2,170,801
Less accumulated depreciation	<u>(758,411)</u>	<u>(686,418)</u>	<u>(1,444,829)</u>
Total noncurrent assets	<u>431,953</u>	<u>541,520</u>	<u>973,473</u>
Total assets	<u><u>\$ 611,727</u></u>	<u><u>\$ 546,329</u></u>	<u><u>\$ 1,158,056</u></u>
Liabilities			
Noncurrent liabilities			
Refundable deposits	<u>\$ -</u>	<u>\$ 24,563</u>	<u>\$ 24,563</u>
Total noncurrent liabilities	<u>-</u>	<u>24,563</u>	<u>24,563</u>
Total liabilities	-	24,563	24,563
Net position (Note 1.D.)			
Net Investment in capital assets	431,953	541,520	973,473
Restricted for capital projects	-	24,563	24,563
Unrestricted	<u>179,774</u>	<u>(44,317)</u>	<u>135,457</u>
Total net position	<u><u>\$ 611,727</u></u>	<u><u>\$ 521,766</u></u>	<u><u>\$ 1,133,493</u></u>

The accompanying notes and auditor's reports are an integral part of these financial statements.

TOWN OF BRAMAN
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2024

Functions/programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Primary Government		
					Governmental Activities	Business-type Activities	Totals
Governmental activities							
General government:	\$ 232,312	\$ 50	\$ 19,500	\$ -	\$ (212,762)	\$ -	\$ (212,762)
Fire department	17,134	-	9,994	-	(7,140)	-	(7,140)
Parks and Recreation	3,645	-	-	-	(3,645)	-	(3,645)
Street and alley	5,886	-	-	-	(5,886)	-	(5,886)
Total government activities	258,977	50	29,494	-	(229,433)	-	(229,433)
Business-type activities							
Electric costs	190,890	200,178	-	-	-	9,288	9,288
Water costs	49,505	63,423	-	-	-	13,918	13,918
Sewer costs	-	9,818	-	-	-	9,818	9,818
Sanitation costs	29,104	23,868	-	-	-	(5,236)	(5,236)
Depreciation	40,816	-	-	-	-	(40,816)	(40,816)
Other costs	28,988	-	-	-	-	(28,988)	(28,988)
Total business-type activities	339,303	297,287	-	-	-	(42,016)	(42,016)
Totals	\$ 598,280	\$ 297,337	\$ 29,494	\$ -	(229,433)	(42,016)	(271,449)
General revenues							
Sales tax					95,792	-	95,792
Use tax					30,987	-	30,987
Tobacco tax					607	-	607
Alcohol beverage tax					1,236	-	1,236
Intergovernmental revenue restricted for streets & alleys					1,617	-	1,617
Franchise fees					1,298	-	1,298
Miscellaneous					172,390	-	172,390
Donations					3,977	-	3,977
Investment earnings					70	-	70
Transfers: In					-	21,512	21,512
Transfers: Out					(21,512)	-	(21,512)
Total general revenues and transfers					286,462	21,512	307,974
Change in net position					57,029	(20,504)	36,525
Net position, beginning of year					554,698	542,270	1,096,968
Net position, end of year					\$ 611,727	\$ 521,766	\$ 1,133,493

The accompanying notes and auditor's reports are an integral part of these financial statements.

TOWN OF BRAMAN
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2024

	General Fund	Total Governmental Funds
Assets		
Cash and cash equivalents	\$ 90,284	\$ 90,284
Certificates of deposit	89,490	89,490
Total assets	<u>\$ 179,774</u>	<u>\$ 179,774</u>
Liabilities		
Due to other funds	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	-	-
Fund Balance (Note 1.D.)		
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	179,774	179,774
Total fund balances	<u>179,774</u>	<u>179,774</u>
Total liabilities and fund balances	<u>\$ 179,774</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$ 1,190,364.

The accumulated depreciation is \$ 758,411

Net effect for reconciliation 431,953
period and therefore are not report in the funds (see Note 3.C.)

Net position of governmental activities \$ 611,727

The accompanying notes and auditor's reports are an integral part of these financial statements.

TOWN OF BRAMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	General Fund	Total Governmental Funds
Revenues:		
Sales tax	\$ 95,792	\$ 95,792
Use tax	30,987	30,987
Gasoline and Motor Vehicle tax	1,617	1,617
Alcohol beverage tax	1,236	1,236
Tobacco tax	607	607
Gas franchise tax	1,298	1,298
Licenses and permits	50	50
Grants	29,494	29,494
Donations	3,977	3,977
Miscellaneous	10,792	10,792
Investment income	70	70
Total revenues	<u>175,920</u>	<u>175,920</u>
Expenditures:		
General government:	222,825	222,825
Fire department	7,736	7,736
Street and alley	-	-
Capital outlay	131,173	131,173
Total expenditures paid	<u>361,734</u>	<u>361,734</u>
Excess of revenues collected over (under) expenditures	(185,814)	(185,814)
Other financing sources (uses)		
Insurance Reimbursements	161,598	161,598
Operating transfers in	-	-
Operating transfers out	(21,512)	(21,512)
Total other financing sources (uses)	<u>140,086</u>	<u>140,086</u>
Change in Fund balance	(45,728)	(45,728)
Fund balances, beginning of year	<u>225,502</u>	<u>225,502</u>
Fund balances, end of year	<u><u>\$ 179,774</u></u>	<u><u>\$ 179,774</u></u>

The accompanying notes and auditor's reports are an integral part of these financial statements.

TOWN OF BRAMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, CONTINUED - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

Reconciliation of the change in fund balances: total governmental funds to the change in net position of governmental activities:

Net change in fund balances: total governmental funds	\$ (45,728)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Net additions to fixed assets	131,173
Depreciation	(28,416)

Change in net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">\$ 57,029</div>
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The accompanying notes and auditor's reports are an integral part of these financial statements.

TOWN OF BRAMAN
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2024

	Municipal Authority
	Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 4,809
Total current assets	<u>4,809</u>
Noncurrent assets	
Buildings, property and equipment	1,227,938
Less accumulated depreciation	<u>(686,418)</u>
Total noncurrent assets	<u>541,520</u>
Total assets	<u><u>\$ 546,329</u></u>
Liabilities	
Noncurrent liabilities	
Refundable deposits	\$ 24,563
Total noncurrent liabilities	<u>24,563</u>
Total liabilities	<u>24,563</u>
Net position	
Invested in capital assets	541,520
Restricted for deposits	24,563
Unrestricted	<u>(44,317)</u>
Total net position	<u><u>\$ 521,766</u></u>

The accompanying notes and auditor's reports are an integral part of these financial statements.

TOWN OF BRAMAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2024

	Municipal Authority
	Enterprise Fund
Operating revenue	
Charges for services:	
Electric	\$ 200,178
Water	63,423
Sewer	9,818
Sanitation	23,868
Total operating revenue	<u>297,287</u>
 Operating expenses:	
Electric costs	190,890
Water costs	49,505
Sanitation costs	29,104
Depreciation	40,816
Other costs	28,988
Total operating expenses	<u>339,303</u>
 Net operating income	(42,016)
 Nonoperating revenue (expense)	
Transfers In	21,512
Total nonoperating revenue (expense)	<u>21,512</u>
 Other financing sources (uses)	-
Total other financing sources (uses)	<u>-</u>
 Change in net position	(20,504)
 Net position, Beginning of year	<u>542,270</u>
 Net position, end of year	<u><u>\$ 521,766</u></u>

The accompanying notes and auditor's reports are an integral part of these financial statements.

TOWN OF BRAMAN
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2024

	Municipal Authority
	<u>Enterprise</u>
	<u>Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 297,287
Payments to suppliers	(298,487)
Transfer In	<u>21,512</u>
Net cash provided (used) by operating activities	<u>20,312</u>
 Cash flows from capital and related financing activities	
Purchase of fixed assets	<u>(20,000)</u>
Net cash provided (used) by capital and related financing activities	<u>(20,000)</u>
 Cash flows from investing activities	
Change in meter deposits	<u>363</u>
Net cash provided (used) by investing activities	<u>363</u>
 Net increase (decrease) in cash and cash equivalents	675
Cash balance beginning of year	<u>4,134</u>
Cash balance end of year	<u><u>\$ 4,809</u></u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (42,016)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Transfers in from other funds	21,512
Depreciation and amortization expense	<u>40,816</u>
Net cash provided by operating activities	<u><u>\$ 20,312</u></u>

The accompanying notes and auditor's reports are an integral part of these financial statements.

TOWN OF BRAMAN
Braman, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 1.B., these financial statements, for the Town of Braman, Oklahoma (the Town), are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB.) These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

1.A. FINANCIAL REPORTING ENTITY

The Town operates under the Town Board of Trustees of government and provides the following services as authorized by its charter: general administration, public safety, streets, public improvements, recreation and planning and zoning.

In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB), GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61.

Based upon the application of these criteria, the Town's financial reporting entity is composed of the following:

Primary Government:	Town of Braman, Oklahoma
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1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for certain modifications that have substantial support in generally accepted accounting principles. The Town has chosen to include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities, but are normally reported as a commitment disclosure.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

- General government: License and permits, operating and capital grants and contributions.
- Public safety: Fire protection, operating and capital grants and contributions.
- Streets: Gas excise and commercial vehicle taxes

GOVERNMENTAL FUNDS

The Town's governmental funds are comprised of the following:

Major Funds

- General Fund - accounts for all activities not accounted for in other special-purpose funds.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

PROPRIETARY FUNDS

Enterprise Fund

The 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 the net income measurement similar to the private sector. The reporting entity includes the Utility Fund which is used to account for the activities in providing water, sewer, and sanitation services to the public. The Utility Fund is classified as a major fund.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

1.C. BUDGETS AND BUDGETARY ACCOUNTING

The Town adopted a budget, under the New Budget Act, for the year ended June 30, 2024.

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of the statements of net position, balance sheets, and statement of cash flows, "cash and cash equivalents" includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less and money market accounts.

INVESTMENTS

The governing body has not formally adopted deposit and investment policies that limit the Town's allowable deposits or investments and address the specific types of risk to which the Town is exposed. However, it is the policy of the governing body to require deposits in excess of FDIC limits to be collateralized as required by Oklahoma Statutes. The Town had no deposits at June 30, 2024 that were exposed to custodial credit risk.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.”

Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.E. for details of interfund transactions, including receivables and payables at year-end.

CAPITAL ASSETS

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statement.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds’ infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003, are recorded at cost.

Depreciation of all exhaustible capital 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. A capitalization threshold of \$ 2,500 is used to report capital assets.

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

Buildings	40
Equipment	5-20
Vehicles	5
Utility property and improvements	10-40

Fund Financial Statements

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

RESTRICTED ASSETS

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets of the proprietary fund are related to promissory note trustee accounts and utility meter deposits. The primary restricted assets of the governmental funds are the sales tax amounts of the Fire Fund.

LONG-TERM DEBT

The accounting treatment of long-term debt 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. All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

The Town does not have any debt as of June 30, 2024.

COMPENSATED ABSENCES

It is the Town's policy to grant each part-time employee paid vacation in the following manner:

First-Fourth Anniversary	16 hours, or four part-time days per year.
Fifth Anniversary and beyond	28 hours, or seven part-time days per year.

All vacation time must be taken in half day, four-hour increments.

The Town does not offer sick paid leave for its part-time employees.

FUND BALANCES AND NET POSITION

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- *Non-spendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – consists of fund balance with constraints placed on the use of resources either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (b) laws through constitutional provisions or enabling legislation.
- *Committed* - includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The Town's highest level of decision-making authority is made by ordinance.
- *Assigned* – includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town Commission action or management decision when the Town Commission has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the Town's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The Town's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

Net position is displayed in three components:

- *Net investment in capital assets*- Consists of capital assets and related accounts, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- *Restricted net position* – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – All remaining net position that does not meet the definition of "restricted"

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

Fund balances on June 30, 2024, for the governmental funds are as follows:

	General
Fund Balances:	Fund
Net investment in capital assets	\$ 431,953
Unrestricted	179,774
Total Fund Balances	<u>\$ 611,727</u>

1.E. REVENUES, EXPENDITURES, AND EXPENSES

SALES TAX

The Town presently levies a four percent sales tax on taxable sales within the Town. Sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors.

PROGRAM REVENUES

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

Public Safety

Fire protection, operating and capital grants.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose, except for the commercial vehicle tax and the gasoline excise tax, both of which are restricted for street and alley purposes.

OPERATING REVENUE AND EXPENSES

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

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

The Town's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period (such as estimated useful lives in determining depreciation expense.) Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. As reflected in Note 3.A., all deposits were fully insured or collateralized on June 30, 2024.

NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's investment policy for custodial credit risk for deposits states, "Safety of principal is the foremost objective of the investment program. All collateral pledged to secure public funds shall be valued at no more than market value. The collateralization level will be 110 % of market value of principal and accrued interest. Collateral will be held by the Town Finance Director of the Town of Braman or by an independent third party with whom the entity has a current custodial agreement." As of June 30, 2024, all of the Town's bank balances were collateralized with securities held by the banks' trust departments but not in the Town's name or were covered by FDIC insurance.

Investment Interest Rate Risk - The Town of Braman's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Reserve funds may be invested with maturities exceeding three years from date of purchase if the maturity is made to coincide with the expected use of the funds. All other funds maturities will be no more than three years from date of purchase.

Investment Credit Risk - The Town's investment policy limits investments to any securities authorized in the Oklahoma State Statutes, as follows:

- a. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of 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.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

As of June 30, 2024, the Town did not hold any securities with credit ratings since they are all non-negotiable time deposits.

Public trusts created under O.S. Title 60 are not subject to the above-mentioned 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 the Public Works Authority complied, in all material respects, with these investment restrictions.

Concentration of Credit Risk – The Town of Braman's investment policy has no limit on the amount of the Town's investment portfolio that may be invested in a single financial institution, with the exception of investment in prime bankers acceptances shall not exceed 10 % of the surplus funds of the Town, and investment in prime commercial paper shall not be more than 10 % of the outstanding paper of the issuing corporation.

Deposits and Investments at June 30, 2024:	Maturity (Months)	Credit Rating	Market Value	Cost
Asset Classification:				
Cash	N/A	N/A	\$ 95,093	\$ 95,093
Certificates of Deposit	12	N/A	89,490	89,490
			<u>\$ 184,583</u>	<u>\$ 184,583</u>

Reconciliation to Statement of Net Position

Governmental Activities	\$ 179,774
Business-Type Activities	4,809
	<u>\$ 184,583</u>

3.B. RESTRICTED REVENUES

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

Revenue Source	Legal Restrictions of Use
Sales Tax	See Note 1.E.
Gasoline Excise & Commercial Vehicle Tax	Street & Alley purposes
Grant proceeds	Grant expenditures

3.C. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

	June 30, 2023 Beginning Balance	Additions	Deletions	June 30, 2024 Ending Balance
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Construction in Progress	\$ 127,540	\$ 119,961	\$ -	\$ 247,501
Total capital assets not being depreciated				
Other capital assets:				
General Government	323,669	11,212	-	334,881
Fire Protection	257,615	-	-	257,615
Parks and Recreation	166,922	-	-	166,922
Street and Alley	179,585	-	-	179,585
Tourism	3,860	-	-	3,860
Total other capital assets at historical cost	931,651	11,212	-	942,863
Less accumulated depreciation for:				
General Government	243,283	9,487	-	252,770
Fire Protection	230,967	9,398	-	240,365
Parks and Recreation	139,076	3,645	-	142,721
Street and Alley	112,809	5,886	-	118,695
Tourism	3,860	-	-	3,860
Total accumulated depreciation	729,995	28,416	-	758,411
Other capital assets, net	201,656	(17,204)	-	184,452
Governmental activities capital assets, net	<u>\$ 329,196</u>	<u>\$ 102,757</u>	<u>\$ -</u>	<u>\$ 431,953</u>

	June 30, 2023 Beginning Balance	Additions	Deletions	June 30, 2024 Ending Balance
<i>Business-type activities:</i>				
Other capital assets:				
Water and Sewer System	\$ 1,207,938	\$ 20,000	\$ -	\$ 1,227,938
Total other capital assets at historical cost	1,207,938	20,000	-	1,227,938
Less accumulated depreciation for:				
Water and Sewer System	645,602	40,816	-	686,418
Total accumulated depreciation	645,602	40,816	-	686,418
Other capital assets, net	562,336	(20,816)	-	541,520
Business-type activities capital assets, net	<u>\$ 562,336</u>	<u>\$ (20,816)</u>	<u>\$ -</u>	<u>\$ 541,520</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Primary Government:	
General Government	\$ 9,487
Fire Protection	9,398
Parks and Recreation	3,645
Street and Alley	5,886
Total depreciation expense for governmental activities:	<u>\$ 28,416</u>

3.D. NON-CURRENT LIABILITIES

All non-current liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements.

Non-current liabilities of governmental funds are not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

The non -current liabilities payable from proprietary fund resources consisted of the following:

Refundable Deposits:

- Refundable deposits reported as a liability within the Statement of Net Assets are composed of the following:

Utility Deposits – Refundable	\$ 24,563
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The following is a summary of changes in long-term debt for the year ended June 30, 2024.

Type of Debt	Balance 7/1/2023	Additions	Reductions	Balance 6/30/2024	Amount Due Within One Year
Business-Type Activities:					
Refundable deposits	\$ 24,200	\$ 1,875	\$ 1,512	\$ 24,563	\$ 24,563
Total Business-Type Activities	<u>\$ 24,200</u>	<u>\$ 1,875</u>	<u>\$ 1,512</u>	<u>\$ 24,563</u>	<u>\$ 24,563</u>

3.E. INTERFUND TRANSFERS AND BALANCES

The Town will transfer funds within the Town's fund structure in order to facilitate cash flow or for special purposes. The following is a summary of transactions between the funds:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 21,512
Proprietary Fund	21,512	-
	<u>\$ 21,512</u>	<u>\$ 21,512</u>

NOTE 4: OTHER NOTES

4.A. PENSION PLANS

Oklahoma Firefighter's Pension and Retirement System (OFPRS):

The volunteer firemen participate only in the Oklahoma State Firefighter's Pension and Retirement System which is a defined contributions plan applying only to the Town's volunteer firefighters. All firemen of the Town are eligible to participate. The Oklahoma Firefighters Pension and Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105-3414, or by calling 1-800-525-7461. The report is also available at www.ok.gov/fprs under the "GASB" tab labeled "2024-GASB 68 Accounting Supplement".

OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The Town is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes and state appropriation, as necessary.

Contributions	2024	\$0
	2023	\$480
	2022	\$540

All full-time employees are eligible to participate in the Oklahoma Municipal Retirement fund. The employee contributions are 6% of gross salary. There were no full-time employees during fiscal year 2024. The Town contributed \$17,125 for the year ended June 30, 2024.

4.B. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages these various risks of loss by securing commercial insurance for all risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4.C. COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Other Commitments

Federal and State Award Programs:

The Town participates in various federal and state grant and loan programs from year to year. In 2024, the Town's involvement in federal and state award programs was not significant. The programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The Town has not been notified of any noncompliance with federal or state award requirements. Any liability or reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

The Town entered into a contract with Rick Scott Construction for the purpose of building a community/recreation center. The remaining balance on that contract at June 30, 2024, is \$69,868.

CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The Town is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include any accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a 3-year period by a Town “Sinking Fund” for the payment of any court assessed judgment rendered against the Town. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 4, 2024, which is the date the financial statements were available to be issued.

MICHAEL W. GREEN

Certified Public Accountant

827 W. Locust Street
Stilwell, Oklahoma 74960
(918) 696-6298

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

To the Board of Trustees
Town of Braman, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Braman, Oklahoma (the Town) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued my report thereon dated October 4, 2024. My report included an emphasis of matter paragraph related to the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items (2024-001, 2024-002, 2024-003, 2024-004, 2024-005, 2024-006 and 2024-007) that I consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are

required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items (2024-003, 2024-004, 2024-005, 2024-006, and 2024-007).

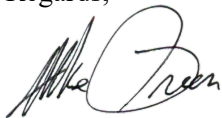
Town of Braman, Oklahoma's, Response to Findings

The Town of Braman, Oklahoma's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Regards,

A handwritten signature in black ink, appearing to read "Mike Green", is positioned above the printed name.

Michael Green, CPA
Stilwell, OK
October 4, 2024

Schedule of Findings and Responses

2024-001 Internal Controls over Financial Reporting

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, record keeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Condition: Presently a limited number of individuals have responsibility for all functions of financial statement reporting. These individuals have oversight responsibilities for billing and adjustments, posting of payments to subsidiary ledgers and reconciling the monthly bank statements. In addition, only limited oversight is provided over these individuals in the conduct of their daily functions.

Cause and Effect: The limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner. Without sufficient segregation of duties, the risk significantly increases that errors, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: Management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation over assets. In response to the identified risks, consideration should be given to identifying and implementing compensating duties to act as controls that could help mitigate the risks associated with lack of segregation of duties, such as management performing review procedures for the reconciliation of accounts.

Responsible Official's Response: Management concurs with the recommendation and will strive to implement procedures and compensating duties to help mitigate the risks associated with the lack of segregation of duties.

This is a repeat finding

2024-002 Policies and Procedures

Criteria: Sound governance practices require municipalities to maintain clear, documented policies and procedures to guide operations. Policies and procedures ensure consistency, transparency, accountability, and compliance with applicable laws and regulations. Additionally, formalized procedures help prevent errors and mismanagement, while providing staff with clear guidelines for decision-making and daily operations.

Condition: Presently the Town has no formal written policies and procedures in several key areas of operation, including finance, procurement, payroll, debit and credit card use, and personnel management. Town employees are often relying on informal practices or verbal instructions, which lack consistency and are not well-documented. Also see finding 2024-004.

Cause and Effect: The absence of formalized policies and procedures appears to stem from the Town's historical reliance on informal, undocumented practices. In smaller municipalities, policies may not have been prioritized due to resource constraints or an assumption that informal practices were sufficient. The lack of formal policies and procedures increases the risk of inconsistent decision-making, operational inefficiencies, and non-compliance with laws and regulations. This situation also heightens the risk of errors, fraud, and mismanagement, as there are no clear guidelines for staff to follow. Without proper documentation, institutional knowledge is not retained, creating operational gaps when there is staff turnover or absence.

Recommendations: The Town should develop and adopt formal policies and procedures covering all key operational areas. This includes financial management, procurement, human resources, payroll, credit and debit card use and other critical functions. The Town should seek external assistance if necessary, such as using templates or working with consultants experienced in municipal operations. Once established, staff should be trained to ensure they understand and consistently apply these policies in their work. Regular

reviews should be conducted to update procedures as necessary.

Responsible Officials Response: Management concurs with the finding and agrees with the recommendation. Efforts will be made to draft and implement formal policies and procedures in key operational areas. The Town will seek external expertise to assist in this process if needed. Additionally, training programs will be initiated to ensure that all staff are familiar with the new policies, and a process for periodic review and updates will be implemented.

2024-003 Procurement

Criteria: State Statute 62 requires that municipalities are to follow the provisions of the statute unless otherwise prohibited by ordinance. The Statute states “Purchase orders shall have written approval of a purchasing officer and an encumbering clerk prior to release. Invoices are required, after satisfactory delivery, and shall be itemized. The individual receiving the delivery of the merchandise shall acknowledge receipt by signing the invoice or delivery ticket. No purchase order shall be approved for payment by the governing body unless the required signed invoices or delivery tickets are attached. The invoices, along with attached supporting documentation, shall be submitted to and examined by the governing body for review of legality. The governing body shall approve the invoices for payment in the amount determined just and correct.”

Condition: Presently purchase orders are only being used for grant purchases.

Cause and Effect: Staff appeared to be unaware of this requirement. The failure to use the purchase order process increases the risk of unauthorized purchases, misallocation of funds and the reduced transparency in Town spending. Without proper documentation and approval, the Town is exposed to potential errors, fraud, or overspending, undermining its fiduciary responsibilities and eroding public trust.

Recommendations: The Town should follow the procurement policies of the State Statutes ensuring that all purchases are approved by a purchase order before the purchase. Management and Board should consider additional training for staff and board members.

Responsible Official's Response: Management concurs with the recommendation and will strive to implement procedures to ensure the use of purchase orders for all purchases.

2024-004 Compensation of Employees

Criteria: Municipal financial regulations and labor laws require accurate reporting of employee compensation, including wages, benefits, overtime, and any other forms of remuneration. Accurate compensation reporting ensures compliance with tax laws, proper accounting practices, and transparent financial disclosures. It also protects both the Town and employees from legal liabilities and potential disputes over wages.

Condition: Currently the employees and board members are receiving a reduced electric rate as compensation. Employees also received a Christmas bonus that was not included in compensation. These amounts are not being reported as such on their year-end wage statements; nor is it being reported to the proper agencies and payroll taxes being remitted for it.

Cause and Effect: The underreporting of compensation poses several risks to the Town, including non-compliance with tax regulations, potential penalties from state or federal tax authorities, and exposure to wage disputes with employees. Furthermore, employees may be disadvantaged by inaccurate reporting of their earnings for purposes like retirement or insurance benefits, leading to future financial discrepancies. This also undermines transparency in Town financial reporting.

Recommendations: The Town should immediately review and correct all compensation records to ensure accurate reporting of employee earnings. Proper controls should be established, including regular payroll audits and independent reviews. Additionally, the Town should provide training for payroll staff to ensure compliance with all relevant laws and regulations. The Town should also work with legal and tax advisors

to address any potential liabilities from prior underreporting.

Responsible Official's Response: Management acknowledges the finding and agrees with the recommendation. A thorough review of payroll records will be undertaken, and corrections will be made where necessary. The Town will provide training to payroll staff. Furthermore, the Town will consult with tax and legal professionals to ensure compliance with relevant regulations and address any outstanding issues related to underreporting.

2024-005 Donations

Criteria: State law explicitly prohibits municipalities from using public funds to make donations or charitable contributions, as public resources are meant to serve the community through authorized expenditures only. The law ensures that taxpayer money is used for public services and not for gifts or contributions that fall outside the legal scope of municipal operations.

Condition: During the audit, it was found that the Town made a donation from the fire department despite state law prohibiting such expenditures. There was no formal approval from the state or legal authority allowing these donations. Also see finding 2024-002.

Cause and Effect: The prohibited donation appears to have resulted from a lack of awareness of state law among Town officials and management. There were no clear internal policies to ensure that municipal donations complied with legal requirements. Additionally, past practices of making donations without scrutiny may have contributed to this non-compliance. By making donations prohibited by state law, the Town is in violation of legal and financial regulations. This could create legal liabilities for the Town, as it risks penalties or other corrective actions from state oversight bodies. Misuse of public funds can also lead to a loss of public trust, as residents expect Town finances to be managed in accordance with the law and with transparency.

Recommendations: The Town should immediately cease all donations of public funds to any entities prohibited by state law. Town officials should seek legal counsel to review past donations and determine if any corrective actions, such as reimbursement of funds, are necessary. Moving forward, the Town should establish a formal policy ensuring all expenditures comply with state laws, and Town staff and management should receive training on the legal restrictions regarding public funds.

Responsible Official's Response: Management agrees with the finding and the recommendation. All donations will be suspended pending a legal review. The Town will seek advice from legal counsel to address any past violations and ensure compliance with state laws. Additionally, the Town will implement new policies and training programs to prevent unauthorized donations in the future and ensure that all expenditures align with legal requirements.

2024-006 Retirement Contributions

Criteria: Municipal laws and employment agreements require the Town to regularly remit pension contributions on behalf of volunteer firemen to the designated pension fund. Timely payment ensures their future retirement benefits are protected, and that the Town complies with its legal and financial obligations. Failure to make these contributions can lead to penalties, legal action, and financial instability for the pension fund.

Condition: The Town has failed to remit pension contributions for the volunteer firemen for the fiscal year ending June 30, 2024

Cause and Effect: The non-payment of pension contributions appears to be due to internal control issues and communication between the responsible parties. Inadequate planning contributed to the delay in remitting these payments. The failure to pay pension contributions exposes the Town to significant legal and financial risks, including penalties, interest charges, and potential lawsuits from the pension fund or volunteers. The future retirement benefits are jeopardized, as the pension fund may not have sufficient resources to meet its obligations.

Recommendations: The Town should immediately prioritize the payment of outstanding pension contributions to avoid further penalties and legal action. A detailed financial plan should be developed to ensure that all future contributions are made on time. Additionally, the Town should implement stronger oversight mechanisms to ensure compliance.

Responsible Official's Response: Management acknowledges the finding and agrees with the recommendation. Efforts will be made to resolve the outstanding pension contributions as a matter of urgency. Steps will be taken to ensure that future contributions are made in a timely manner. The Town will also improve financial oversight and ensure that pension payments are prioritized going forward.

2024-007 Cash payments and withdrawals

Criteria: Municipal financial policies and best practices require that all use of public funds be properly authorized and documented. State Statutes require that all purchases be paid by warrant, check, wire transfer or other disbursement method of the Federal Reserve.

Condition: The audit identified multiple cash withdrawals from the Town's checking accounts over the past fiscal year. These withdrawals did not follow the standard practice of the Town which is three signatures on Town checks and two signatures on fire department checks. The cash withdrawals had only one signature on the withdrawal slip. Also see finding 2024-002.

Cause and Effect: The cause of this issue is likely due to weak internal controls over the Town's banking processes and insufficient oversight by management. The Town lacks formal procedures governing procurement. Furthermore, staff may be unaware of the importance of following proper financial protocols. The absence of controls over cash withdrawals increases the risk of misappropriation of funds, fraud, and unauthorized use of Town resources. These transactions could result in a lack of transparency in financial reporting and expose the Town to legal and reputational risks. Without proper documentation, it is difficult to verify the legitimacy of the expenditures, which could lead to potential audit findings and financial discrepancies.

Recommendations: The Town should immediately cease unauthorized cash withdrawals from the checking account and establish a formal policy governing cash transactions. The policy should include clear guidelines on who is authorized to withdraw funds, what documentation is required, and the approval process. A system of dual authorization should be implemented for any cash withdrawals, and all transactions should be supported by detailed receipts and justifications. Additionally, the Town should provide training to staff on proper cash management procedures.

Responsible Official's Response: Management concurs with the audit finding and recommendation. A formal policy governing expenditures and petty cash will be developed and implemented to ensure proper controls are in place. All staff involved in financial management will receive training on the new procedures, and immediate steps will be taken to review past cash withdrawals to ensure proper documentation.