

TOWN OF CLAYTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2023

RALPH OSBORN, CPA LLP  
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## INDEPENDENT AUDITORS' REPORT

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

### Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund(except as described below), and the aggregate remaining fund information of the Town of Clayton, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Clayton's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Clayton 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 the modified cash basis of accounting as described in Note A.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of Clayton, Oklahoma, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence We have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

### Emphasis of Matter

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement 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 Clayton'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 opinion. 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 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2025, on our consideration of Town of Clayton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Clayton, Oklahoma's internal control over financial reporting and compliance.

Sincerely,

***Ralph Osborn, CPA LLP***

Ralph Osborn, CPA LLP  
Bristow, Oklahoma  
February 17, 2025

TOWN OF CLAYTON, OKLAHOMA  
STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
JUNE 30, 2023

	<u>Primary Government</u>		
	<u>Business</u>		
	<u>Governmental</u>	<u>Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 296,027	\$ 950,835	\$ 1,246,862
Investments	-	5,978	5,978
Restricted cash - Debt reserve	-	53,272	53,272
Reserved cash - Customer deposit	-	57,446	57,446
Reserved cash - Customer deposit	-	14,297	14,297
Total current assets	<u>296,027</u>	<u>1,081,828</u>	<u>1,377,855</u>
Non-current assets:			
Land	-	256,894	256,894
Capital assets, net	<u>188,126</u>	<u>4,277,185</u>	<u>4,465,311</u>
Total non-current assets	<u>188,126</u>	<u>4,534,079</u>	<u>4,722,205</u>
Total assets	<u>484,153</u>	<u>5,615,907</u>	<u>6,100,060</u>
<b>LIABILITIES</b>			
Current liabilities:			
Customer deposits payable	-	79,200	79,200
Lease purchase, current	-	-	-
Notes payable, current	-	71,078	71,078
Total current liabilities	<u>-</u>	<u>150,278</u>	<u>150,278</u>
Non-current liabilities:			
Lease purchase, non-current	-	-	-
Notes payable, non-current	-	2,882,694	2,882,694
Total non-current liabilities	<u>-</u>	<u>2,882,694</u>	<u>2,882,694</u>
Total liabilities	<u>-</u>	<u>3,032,972</u>	<u>3,032,972</u>
<b>NET POSITION</b>			
Capital assets, net of related debt	188,126	1,323,413	1,511,539
Restricted for			
Debt service	-	53,272	53,272
Unrestricted	<u>296,027</u>	<u>1,206,250</u>	<u>1,502,277</u>
Total net Position	<u>\$ 484,153</u>	<u>\$ 2,582,935</u>	<u>\$ 3,067,088</u>

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

TOWN OF CLAYTON, OKLAHOMA  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2023

Function/Programs	Expenses	Program Revenue			(Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 592,955	\$ -	\$ 49,053	\$ -	\$ (543,902)
Public service	20,267	-	-	-	(20,267)
Public safety	49,916	32,633	254,445	-	237,162
Ambulance	2,115	-	-	-	(2,115)
Cemetery	9,675	7,790	-	-	(1,885)
Street and alley	1,807	-	3,924	-	2,117
Total governmental activities	676,735	40,423	307,422	-	(328,890)
Business-type activities					
Public Works	432,488	338,603	-	-	(93,885)
Total business-type activities	432,488	338,603	-	-	(93,885)
Total primary government	\$1,109,223	\$ 379,026	\$ 307,422	\$ -	\$ (422,775)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net Position:			
Net (expense) revenue	\$ (328,890)	\$ (93,885)	\$ (422,775)
General revenues			
Taxes			
Sales tax	378,808	-	378,808
Use tax	61,322	-	61,322
Franchise tax	18,791	-	18,791
Cigarette tax	2,217	-	2,217
Gas tax	-	-	-
Charges for ambulance	27,508	-	27,508
Donations	-	-	-
Interest	-	293	293
Transfers, net	(170,488)	170,488	-
Other revenue	71,562	-	71,562
Gain on sale	-	-	-
Total general revenue and transfer	389,720	170,781	560,501
Change in net Position	60,830	76,896	137,726
Net position - beginning	423,323	2,506,039	2,929,362
Net position - ending	\$ 484,153	\$ 2,582,935	\$ 3,067,088

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

TOWN OF CLAYTON, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2023

	<u>General Fund</u>	<u>Total Governmental Fund</u>
ASSETS		
Cash and cash equivalents	\$ 296,027	\$ 296,027
TOTAL ASSETS	<u>\$ 296,027</u>	<u>\$ 296,027</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Cash overdraft	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Unrestricted	<u>296,027</u>	<u>296,027</u>
TOTAL FUND BALANCES	<u>296,027</u>	<u>296,027</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 296,027</u>	
Reconciliation of Balance Sheet - Governmental funds with the Statement of Net Position:		
Amounts reported 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.		
Capital assets	738,528	
Accumulated depreciation	<u>(550,402)</u>	<u>188,126</u>
Total net position		<u>\$ 484,153</u>

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

TOWN OF CLAYTON, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Total Governmental Fund
Revenue		
Sales tax	\$ 378,808	\$ 378,808
Use tax	61,322	61,322
Franchise tax	18,791	18,791
Motor vehicle tax	3,924	3,924
Cigarette tax	2,217	2,217
Alcoholic tax	49,053	49,053
Charges for Ambulance	27,508	27,508
Fines	7,229	7,229
Miscellaneous	71,562	71,562
Grants	254,445	254,445
Fire Revenue	25,404	25,404
Cemetery	<u>7,790</u>	<u>7,790</u>
Total revenue	<u>908,053</u>	<u>908,053</u>
Expenditures		
Current		
General government	568,330	568,330
Public service	20,267	20,267
Public safety	49,916	49,916
Ambulance	2,115	2,115
Cemetery	9,675	9,675
Street and alley	<u>67,928</u>	<u>67,928</u>
Total expenditures	<u>718,231</u>	<u>718,231</u>
Excess (deficiency) of revenue over / (under) expenditures	189,822	189,822
Other financing sources (uses)		
Transfer to other funds	<u>(170,488)</u>	<u>(170,488)</u>
Net changes in fund balances	19,334	19,334
Fund balances, beginning	<u>276,693</u>	<u>276,693</u>
Fund balances, ending	<u>\$ 296,027</u>	<u>\$ 296,027</u>

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

TOWN OF CLAYTON, 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 changes in fund balances - total governmental funds \$ 19,334

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 cost are shown in the combined  
statement of net assets 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	(24,625)	
Capital outlay	<u>66,121</u>	<u>41,496</u>

Change in net position \$ 60,830

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



TOWN OF CLAYTON, OKLAHOMA  
STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2023

	<u>Public Works</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 950,835
Investments	5,978
Restricted cash - Debt reserve	53,272
Restricted cash - Customer deposit	57,446
Restricted investments - Customer deposit	<u>14,297</u>
Total current assets	<u>1,081,828</u>
Non-current assets	
Land	256,894
Capital assets, net	<u>4,277,185</u>
Total non-current assets	<u>4,534,079</u>
Total assets	<u>5,615,907</u>
<b>LIABILITIES</b>	
Current liabilities:	
Customer deposits	79,200
Note payable, current	<u>71,078</u>
Total current liabilities	<u>150,278</u>
Non-current liabilities:	
Notes payable, non-current	<u>2,882,694</u>
Total non-current liabilities	<u>2,882,694</u>
Total liabilities	<u>3,032,972</u>
<b>NET POSITION</b>	
Capital assets, net of related debt	1,580,307
Restricted for:	
Debt service	53,272
Unrestricted	<u>949,356</u>
Net position of business-type activities	<u>\$ 2,582,935</u>

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

TOWN OF CLAYTON, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
MODIFIED CASH BASIS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Water	\$ 158,089
Wastewater	57,213
Sanitation	30,758
Penalties	5,495
Rent	8,812
Other revenues	<u>78,236</u>
Total operating revenues	<u>338,603</u>
 <u>OPERATING EXPENSES</u>	
Salaries and wages	79,239
Water costs	88,759
Sanitation	37,419
Materials and supplies	12,820
Other services and charges	687
Insurance	-
Professional fees	18,199
Utilities and telephone	7,590
Depreciation	<u>139,897</u>
Total operating expenses	<u>384,610</u>
 Operating income (loss)	 <u>(46,007)</u>
 <u>NON-OPERATING REVENUE (EXPENSES)</u>	
Grant	-
Interest revenue	293
Interest on notes payable and fees	<u>(47,878)</u>
Total non-operating revenue (expenses)	<u>(47,585)</u>
 Income (loss) before transfer	 <u>(93,592)</u>
 Transfer from other funds	 <u>170,488</u>
Total Transfers	<u>170,488</u>
 Change in net position	 76,896
Total net position, beginning	<u>2,506,039</u>
Total net position, ending	<u>\$ 2,582,935</u>

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

TOWN OF CLAYTON, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 338,603
Cash payments to employees	(79,239)
Cash payments to suppliers for goods and services	<u>(162,017)</u>
Net cash provided (used) by operating activities	<u>97,347</u>
Cash flows from capital and related financing activities	
Grant	68,963
Interest paid on notes payable and fiscal fees	(47,878)
Principal paid on notes payable	<u>(62,501)</u>
Net cash used for capital and related financing activities	<u>(41,416)</u>
Cash flows from investing activities	
(Increase)/decrease in reserves	(3,475)
Transfer (to)/from investment	-
Interest revenue	293
Sales tax allocation - transfer	<u>101,525</u>
Net cash provided by investing activities	<u>98,343</u>
Net change in cash and investments	154,274
Cash and cash equivalents, beginning	<u>802,539</u>
Cash and cash equivalents, ending	<u><u>\$ 956,813</u></u>
Reconciliation of operating income (loss) to net cash provided/(used) by operating activities:	
Operating income (loss)	\$ (46,007)
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:	
Depreciation	139,897
Changes in assets and liabilities:	
Increase/(decrease) in customer deposits	<u>3,457</u>
Net cash provided/(used) by operating activities	<u><u>\$ 97,347</u></u>

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

TOWN OF CLAYTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Clayton, 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 there are no component units to report. 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 Clayton Public Works. 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.

Clayton Public Works Authority was created 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 sanitation and sewer services for the Town of Clayton. The 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.

TOWN OF CLAYTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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 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 and Basis of Accounting

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

**Measurement Focus**

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

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

- A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- B. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net position.

TOWN OF CLAYTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This is a change from prior year.

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 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.

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

**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.

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

Clayton Public Works Authority - The Authority provides certain utility services for the Town.

**Budgetary Accounting and Control**

Annually a legally adopted budget is prepared for the General Fund and other governmental funds and an operating budget forecast is prepared for the Public Works Authority Funds. The budgets are formally approved by the Board of Trustees before filing with the State of Oklahoma. Actual expenditures within the General Fund may not legally exceed the adopted budget appropriations at the object category level within the department of a fund.

**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.

TOWN OF CLAYTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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 cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

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 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	20-100
Improvements, other than buildings	20-100
Infrastructure	25-50
Machinery and equipment	3-25

TOWN OF CLAYTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The Town does not record a liability for accrued compensated absences. The amount paid for compensated absences is expensed as paid.

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.

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, 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.

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 Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. 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 not fully covered beyond federal deposit insurance.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$1,377,855 at June 30, 2023. The bank balance of the deposits at June 30, 2023 was approximately \$1,384,631.

Credit Risk

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



TOWN OF CLAYTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
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 Trustees monitors the investment performance on an ongoing basis to limit the Town'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 - RESTRICTED CASH AND INVESTMENTS

The Loan Resolution Security Agreements with the USDA Rural Development requires a reserve fund to be funded at 10% of the monthly installment until the balance is equal to the annual installment amount (\$13,929 X 12 = \$167,948). At June 30, 2023, the total balance in the debt service reserve accounts was \$53,272. The Town is making the monthly deposits to be in compliance with the agreement.

NOTE D - NOTES PAYABLE PROPRIETARY FUND

The following is a summary of the long-term debt transactions of the City for the year ended June 30, 2023:

	Balance at July 1, 2022	Retirements/ Additions	Balance at June 30, 2023
Rural Development	\$ 1,388,550	\$ (34,753)	\$ 1,353,797
Rural Development	109,716	(3,320)	106,396
Rural Development	1,525,755	(32,176)	1,493,579
Total	<u>\$ 3,024,021</u>	<u>\$ (70,249)</u>	<u>\$ 2,953,772</u>

A brief description of the outstanding notes payable at June 30, 2023 is set forth below:

<u>Outstanding</u>	<u>Amount</u>
Rural Development loan dated October 13, 2009, original loan amount of \$1,697,000, interest rate 1.875%, payable in monthly installments of \$5,041.	1,353,797
Rural Development loan dated March 31, 1999, original loan amount of \$150,000, interest rate 4.75%, payable in monthly installments of \$705.	106,396
Rural Development loan dated September 24, 2020, original loan amount of \$1,582,000, interest rate 1.13%, payable in monthly installments of \$4,098.	<u>1,493,579</u>
Total	<u>\$2,953,772</u>

TOWN OF CLAYTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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. The annual principal payments include the new loan with no draws or payments as of June 30, 2023.

<u>Year ending June 30</u>	<u>Rural Development</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 71,078	\$ 47,050	\$ 118,128
2025	72,279	45,849	118,128
2026	73,504	44,624	118,128
2027	74,755	43,373	118,128
2028	76,031	42,097	118,128
2029-2033	400,286	190,354	590,640
2034-2038	436,614	154,026	590,640
2039-2043	470,047	113,568	583,615
2044-2048	473,158	75,182	548,340
2049-2053	468,289	37,220	505,509
2054-2058	233,131	12,749	245,880
2059-2061	104,600	1,384	105,984
Total	<u>\$ 2,953,772</u>	<u>\$ 807,476</u>	<u>\$ 3,761,248</u>

The Authority paid interest of \$47,878 on long-term debt during the year.

NOTE E - CAPITAL ASSETS

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

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated</u>
	<u>Buildings</u>	<u>Infrastructure &amp; Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Balance, June 30, 2022	\$ -	\$ 13,672	\$ 658,735	\$ 672,407	\$ -
Increases	-	-	66,121	66,121	-
Decreases	-	-	-	-	-
Balance, June 30, 2023	-	13,672	724,856	738,528	-
Accum. Deprec.					
Balance, June 30, 2022	-	1,111	524,666	525,777	-
Increase	-	1,367	23,258	24,625	-
Decreases	-	-	-	-	-
Balance, June 30, 2023	-	2,478	547,924	550,402	-
Business-type activities					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 11,194</u>	<u>\$ 176,932</u>	<u>\$ 188,126</u>	<u>\$ -</u>
Business-type activities					
Balance, June 30, 2022	\$ 10,150	\$ 5,089,765	\$ 2,761,163	\$ 7,861,078	\$ 256,894
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2023	10,150	5,089,765	2,761,163	7,861,078	256,894
Accum. Deprec.					
Balance, June 30, 2022	10,150	777,006	2,656,840	3,443,996	-
Increase	-	127,244	12,653	139,897	-
Decreases	-	-	-	-	-
Balance, June 30, 2023	10,150	904,250	2,669,493	3,583,893	-
Business-type Activities					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 4,185,515</u>	<u>\$ 91,670</u>	<u>\$ 4,277,185</u>	<u>\$ 256,894</u>
<b>PRIMARY GOVERNMENT</b>					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 4,196,709</u>	<u>\$ 268,602</u>	<u>\$ 4,465,311</u>	<u>\$ 256,894</u>

TOWN OF CLAYTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES
General government	\$ 24,625	Utilities
		\$ 139,897

NOTE F - PENSION OBLIGATIONS

Oklahoma Firefighter's Pension and Retirement System

The Town participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligation and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% of final average salary 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 distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

Fiscal Year	Required Contribution	Percentage Contributed
2023	\$ 840	100%
2022	\$ 900	100%
2021	\$ 780	100%

TOWN OF CLAYTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE G - 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 H - 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.

NOTE I - SUBSEQUENT EVENTS

The Town has evaluated subsequent events and contingencies through February 17, 2025, the date which financial statements were available. The Town believes there are not any items to disclose.

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

To the Honorable Mayor and Members of the Board of Trustees  
Town of Clayton  
Clayton, 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 *Governmental 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, each major fund, and the aggregate remaining fund information of the Town of Clayton, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Clayton, Oklahoma's basic financial statements, and have issued our report thereon dated February 17, 2025.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, We considered the Town of Clayton, 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 the Town of Clayton, Oklahoma's internal control. Accordingly, We do not express an opinion of the effectiveness of Town of Clayton, 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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, reference number 2023-1, and 2023-2.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned cost, We identified certain deficiencies in internal control that We consider to be material weaknesses and significant deficiencies.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, reference number 2023-1, 2023-2 and 2023-3.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clayton, Oklahoma's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2023-1, 2023-2 and 2023-3.

#### 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 of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Sincerely,

***Ralph Osborn, CPA LLP***

Ralph Osborn, CPA LLP  
Bristow, Oklahoma  
February 17, 2025

TOWN OF CLAYTON, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2023

2023-1 - Overstating of revenues and expenditures

Condition - The Town runs transfers and loan repayments between accounts through revenue and expense. This also has created some double entries.

Criteria - The Town should not run transfers or loan repayments between accounts through revenue and expense accounts.

Cause/Effect of Condition - The transfers between bank accounts overstates the income/expense in the revenue/expense accounts. A transfer from one account to the another should only be entered into those accounts and not ran through revenue/expense accounts. The double entries to transfer money between bank accounts cause an overstatement in revenues and expenses.

Recommendation - The Town should consider more training with the accounting software.

2023-2 Bank Reconciliations

Condition - The bank reconciliations are not properly kept and in agreement with the general ledger.

Criteria - Double entry of transfers and backdating checks have caused the bank reconciliations to be incorrect and/or to not be in agreement with the general ledger. There are a large amount of old outstanding that should possibly be voided. There were some checks in check number sequence that were written in July, however, were dated and entered into the system for June. This has caused the checks to not appear on the bank reconciliations but they are included in the current fiscal year system.

Cause/Effect of Condition - Reporting outstanding checks that are from double entry or backdating checks will not accurately forecast the actual balance of the accounts. The bank reconciliations are reports used to explain the differences between the cash balance in the ledger and the bank statement balance. The bank reconciliation is also one of the main ways to prevent fraud and embezzlement of funds. If the reconciliations are incorrect and show payments that not actually outstanding, the board can not see what the actual payments and balances are of the accounts.

Recommendation - The Town should clean up the bank reconciliations and void any old outstanding that is not likely to clear the bank. The bank reconciliations need to be completed monthly and reviewed for accuracy. Avoiding double entry of revenue and expense will help to cut out the incorrect uncleared transactions.

2023-3 Supporting documentation for capital assets

Condition - The Town did not maintain the proper documentation for all expenditures, including capital asset acquisition.

Criteria - Documentation for all expenditures must be an original invoice from a bona fide company or individual providing goods and/or services to the Town.

Cause/Effect of Condition - The Town is in violation by not maintaining and keeping the proper support documentation for expenditures. Accounting records shall be supported by source documentation such as canceled checks, original invoices, payroll records and the like.

Recommendation - The Town should keep the original invoices to support each expenditure paid.