

TOWN OF DUSTIN, OKLAHOMA

ANNUAL FINANCIAL REPORT

June 30, 2020

RALPH OSBORN
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INDEPENDENT AUDITORS' REPORT

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

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Dustin, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Dustin's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with modified cash basis of accounting 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; this includes 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, each major fund, and the aggregate remaining fund information of Town of Dustin as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with modified cash basis.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dustin, Oklahoma's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

In accordance with *Government Auditing Standards*, I have also issued my report dated October 9, 2020 on my consideration of Town of Dustin's internal control over financial reporting and my 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* and should be considered in assessing the results of my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 9, 2020

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
June 30, 2020

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 184,809	\$ 81,812	\$ 266,621
Investments	20,864	3,335	24,199
Restricted cash and cash equivalents	-	13,409	13,409
Due from other funds	1,037	(1,037)	-
Total current assets	<u>206,710</u>	<u>97,519</u>	<u>304,229</u>
Non-current assets:			
Capital assets			
Land	15,000	-	15,000
Other capital assets net of accumulated depreciation	181,925	1,556,541	1,738,466
Total non-current assets	<u>196,925</u>	<u>1,556,541</u>	<u>1,753,466</u>
 Total assets	<u>403,635</u>	<u>1,654,060</u>	<u>2,057,695</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	-	-
Long-term debt, current	-	-	-
Utility deposits	-	24,063	24,063
Total current liabilities	<u>-</u>	<u>24,063</u>	<u>24,063</u>
Non-current liabilities:			
Long-term debt, non-current	-	-	-
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities	<u>-</u>	<u>24,063</u>	<u>24,063</u>
NET POSITION			
Invested in capital assets, net of related debt	196,925	1,556,541	1,753,466
Restricted for meter deposit	-	13,409	13,409
Unrestricted	206,710	60,047	266,757
Total net position	<u>\$ 403,635</u>	<u>\$1,629,997</u>	<u>\$ 2,033,632</u>

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

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED June 30, 2020

	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Function/Programs					
Governmental activities					
General government	\$ 40,885	\$ -	\$ -	\$ 67,000	\$ 26,115
Street & Alley	864	37,344	-	-	36,480
Cemetery	-	-	-	-	-
Total governmental activities	<u>41,749</u>	<u>37,344</u>	<u>-</u>	<u>67,000</u>	<u>62,595</u>
Business-type activities					
Public Works Authority	<u>124,692</u>	<u>143,567</u>	<u>-</u>	<u>-</u>	<u>18,875</u>
Total business-type activities	<u>124,692</u>	<u>143,567</u>	<u>-</u>	<u>-</u>	<u>18,875</u>
Total primary government	<u>\$166,441</u>	<u>\$180,911</u>	<u>\$ -</u>	<u>\$ 67,000</u>	<u>\$ 81,470</u>

	<u>Primary Government</u>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Changes in net position:				
Net (expense) revenue	\$ 62,595	\$ 18,875	\$ 81,470	
General revenues				
Taxes				
Sales tax		81,802	-	81,802
Use tax		14,626	-	14,626
Franchise tax		5,163	-	5,163
Alcoholic Beverage Tax		7,381	-	7,381
Gas and auto		2,990	-	2,990
Cigarette tax		849	-	849
Interest		312	-	312
Other revenue		2,868	-	2,868
Lease income		-	-	-
Restitution income		130	-	130
Transfers		4,067	(4,067)	-
Total general revenue		<u>120,188</u>	<u>(4,067)</u>	<u>116,121</u>
Change in net position		<u>182,783</u>	<u>14,808</u>	<u>197,591</u>
Net position - beginning		<u>220,852</u>	<u>1,615,189</u>	<u>1,836,041</u>
Net position - ending		<u>\$ 403,635</u>	<u>\$1,629,997</u>	<u>\$ 2,033,632</u>

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

TOWN OF DUSTIN, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2020

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$140,671	\$ 44,138	\$184,809
Investments	15,498	5,366	20,864
Due from other funds	<u>-</u>	<u>15,560</u>	<u>15,560</u>
TOTAL ASSETS	<u>\$156,169</u>	<u>\$ 65,064</u>	<u>\$221,233</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	<u>14,523</u>	<u>-</u>	<u>14,523</u>
TOTAL LIABILITIES	<u>14,523</u>	<u>-</u>	<u>14,523</u>
FUND BALANCES			
Unrestricted	<u>141,646</u>	<u>65,064</u>	<u>206,710</u>
TOTAL FUND BALANCES	<u>141,646</u>	<u>65,064</u>	<u>206,710</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$156,169</u>	<u>\$ 65,064</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 in the fund, net of accumulated depreciation of \$59,780	<u>196,925</u>
Net position of governmental civilities	<u>\$ 403,635</u>

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

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED June 30, 2020

	General Funds	Other Governmental Funds	Total Governmental Funds
Revenue			
Taxes	\$109,821	\$ 2,990	\$ 112,811
Investment	312	-	312
Other revenue	2,868	37,344	40,212
Lease income	-	-	-
Restitution income	130	-	130
Grant income	-	67,000	67,000
Total revenue	<u>113,131</u>	<u>107,334</u>	<u>220,465</u>
Expenditures			
Current			
Administration	50,455	-	50,455
Street & Alley	-	103,862	103,862
Cemetery	-	-	-
Capital outlay	<u>15,000</u>	<u>19,320</u>	<u>34,320</u>
Total expenditures	<u>65,455</u>	<u>123,182</u>	<u>188,637</u>
Net Operating income (loss)	<u>47,676</u>	<u>(15,848)</u>	<u>31,828</u>
Other financing sources			
Transfer in	-	4,930	4,930
Transfer out	<u>(863)</u>	<u>-</u>	<u>(863)</u>
Total other financing sources	<u>(863)</u>	<u>4,930</u>	<u>4,067</u>
Net change in fund balances	46,813	(10,918)	35,895
Fund balances, beginning	<u>94,833</u>	<u>75,982</u>	<u>170,815</u>
Fund balances, ending	<u>\$141,646</u>	<u>\$ 65,064</u>	<u>\$ 206,710</u>

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

TOWN OF DUSTIN, 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, 2020

Net changes in fund balances - total governmental funds	\$	35,895
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Amounts reported for governmental activities in the statement of activities are different because:
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the combined statement of net position and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(10,326)		
Capital outlay	<u>157,214</u>	<u>146,888</u>	

Change in net position	\$	<u><u>182,783</u></u>
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The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
June 30, 2020

	<u>Public Works Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 81,812
Investments	3,335
Restricted cash and cash equivalents	<u>13,409</u>
Total current assets	<u>98,556</u>
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>1,556,541</u>
Total non-current assets	<u>1,556,541</u>
Total assets	<u>1,655,097</u>
LIABILITIES	
Current liabilities:	
Due to other funds	1,037
Accounts payable	-
Notes payable, current	-
Utility deposits	<u>24,063</u>
Total current liabilities	<u>25,100</u>
Non-current liabilities:	
Notes payable	<u>-</u>
Total non-current liabilities	<u>-</u>
Total liabilities	<u>25,100</u>
NET POSITION	
Invested in capital assets, net of related debt	1,556,541
Restricted for meter deposit	13,409
Unrestricted	<u>60,047</u>
Net position of business-type activities	<u>\$ 1,629,997</u>

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

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED June 30, 2020

<u>OPERATING REVENUES</u>	<u>Public Works Authority</u>
Charges for services:	
Water charges	\$ 143,537
Other	<u>30</u>
Total operating revenues	<u>143,567</u>
 <u>OPERATING EXPENSES</u>	
Salaries and taxes	27,021
Water Purchases	51,491
Maintenance and Operations	14,723
Utilities and Phone	2,402
Professional fees	750
Office	1,569
Testing	4,194
Contract Labor	2,065
Depreciation	<u>20,141</u>
Total operating expenses	<u>124,356</u>
Operating income (loss)	<u>19,211</u>
 <u>NON-OPERATING REVENUE (EXPENSES)</u>	
Interest expense	<u>(336)</u>
Total non-operating revenue (expenses)	<u>(336)</u>
Net Operating income (loss)	<u>18,875</u>
 <u>OTHER FINANCING SOURCES</u>	
Transfer in	863
Transfer out	<u>(4,930)</u>
Total other financing sources	<u>(4,067)</u>
Change in net position	14,808
Total net position, beginning	<u>1,615,189</u>
Total net position, ending	<u><u>\$1,629,997</u></u>

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

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED June 30, 2020

	<u>Public Works Authority</u>
Cash flows from operating activities	
Cash received from customers	\$ 143,567
Cash payments to employees	(27,021)
Cash payments to suppliers for goods and services	(76,424)
Net cash provided (used) by operating activities	<u>40,122</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	(21,267)
Principal paid on capital debt	(336)
Interest paid on capital debt	<u>(3,795)</u>
Net cash used in capital and related financing activities	<u>(25,398)</u>
Cash flows from non-capital and related financing activities	
Transfers	<u>(4,067)</u>
Net cash used in non-capital and related financing activities	<u>(4,067)</u>
Net increase/(decrease) in cash and cash equivalents	10,657
Cash and cash equivalents, beginning	<u>84,564</u>
Cash and cash equivalents, ending	<u>\$ 95,221</u>
Reconciliation of operating income(loss) to net cash provided by(used) by operating activities	
Operating income (loss)	\$ 19,211
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	20,141
Changes in assets and liabilities:	
Increase/(decrease) in due to other funds	(493)
Increase/(decrease) in utility deposits	<u>1,263</u>
Net cash provided by operating activities	<u>\$ 40,122</u>

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

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Dustin, 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, utilities, 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 the Dustin Public Works Authority (the Authority) is the only component unit. 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 the Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

Government-Wide and Fund Financial Statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Fund Financial Statements

Fund financial statements of the Town are provided for governmental and proprietary 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.

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 modified cash basis.

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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:

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

Budgetary Accounting and Control

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

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

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end. For the fiscal year ending June 30, 2020, the Town failed to prepare and submit an annual budget as is required by the Oklahoma Municipal Budget Act.

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Investments

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are 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, 2020 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 or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets.

Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Buildings	25-50
Improvements, other than buildings	20-50
Furniture , machinery, and equipment	5-10
Utility system	5-60

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, 2020, all of the Towns deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$290,820 at June 30, 2020. The bank balance of the deposits at June 30, 2020 was approximately \$313,855.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2020.

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2020, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

Note C - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2020 are as follows:

Reconciliation to Fund Financial Statements	Due From Other Funds	Due To Other Funds
Governmental Funds	\$ 1,037	\$ -
Enterprise Funds	-	1,037
Total	<u>\$ 1,037</u>	<u>\$ 1,037</u>

Note D - CAPITAL ASSETS

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

	<u>CAPITAL ASSETS, DEPRECIATED</u>				Capital Assets Not Depreciated Land
	<u>Buildings</u>	<u>Infrastructure & Furniture, Improvements Other Than Buildings</u>	<u>Machinery, And Equipment</u>	<u>Totals</u>	
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2019	\$ -	\$ 76,585	\$ 34,354	\$ 110,939	\$ -
Increases	16,289	125,925	-	142,214	15,000
Decreases	-	-	-	-	-
Balance, June 30, 2020	<u>16,289</u>	<u>202,510</u>	<u>34,354</u>	<u>253,153</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2019	-	35,005	25,897	60,902	-
Increase	407	5,263	4,656	10,326	-
Decreases	-	-	-	-	-
Balance, June 30, 2020	<u>407</u>	<u>40,268</u>	<u>30,553</u>	<u>71,228</u>	<u>-</u>
Governmental activities Capital Assets, Net	<u>\$ 15,882</u>	<u>\$ 162,242</u>	<u>\$ 3,801</u>	<u>\$ 181,925</u>	<u>\$ 15,000</u>
Business-type activities					
Balance, June 30, 2019	\$ -	\$1,979,233	\$ 81,432	\$2,060,665	\$ -
Increases	-	3,795	-	3,795	-
Decreases	-	-	-	-	-
Balance, June 30, 2020	<u>-</u>	<u>1,983,028</u>	<u>81,432</u>	<u>2,064,460</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2019	-	406,346	81,432	487,778	-
Increase	-	20,141	-	20,141	-
Decreases	-	-	-	-	-
Balance, June 30, 2020	<u>-</u>	<u>426,487</u>	<u>81,432</u>	<u>507,919</u>	<u>-</u>
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$1,556,541</u>	<u>\$ -</u>	<u>\$1,556,541</u>	<u>\$ -</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>\$ 15,882</u>	<u>\$1,718,783</u>	<u>\$ 3,801</u>	<u>\$1,738,466</u>	<u>\$ 15,000</u>

TOWN OF DUSTIN, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General Government	\$ 6,719	Utilities Authority	\$ 20,141
Street	3,607		

NOTE E - LONG TERM DEBT

Changes in long-term debt are as follows:

	Payable at June 30, 2019	Added	Retired	Balance at June 30, 2020
Community Resource Group	\$ 21,267	\$ -	\$ (21,267)	\$ -
	<u>\$ 21,267</u>	<u>\$ -</u>	<u>\$ (21,267)</u>	<u>\$ -</u>

The Town paid the Community Resources Group debt in full in January 2020.

Note F - PENSION OBLIGATIONS

The Town participates in two pension plans.

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.

TOWN OF DUSTIN, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

	<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 obligations 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 Statue:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2020	\$ 780	100%
2019	\$ 840	100%
2018	\$ 660	100%

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note G - COMPENSATED ABSENCES

The Town and Authority have not reported an amount for accrued compensated absences. Under the modified cash basis of accounting, payments for vacation and sick leave are expensed as paid.

Note H - 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 I - 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 J - RECEIVABLE

The Town is to receive \$48,104 from a suit filed against the prior clerk for embezzling. The suit was ongoing for years and a judgment was made December 22, 2017 for the prior clerk to pay restitution payments of \$300 per month. The Town is modified cash basis accounting, therefore the total receivable is not shown on the financial statements. The outcome of the Town receiving the full \$48,104 is unknown. The Town received \$130 in the 2020 fiscal year.

NOTE K - SUBSEQUENT EVENTS

The Town evaluated subsequent events through October 9, 2020 the date which financial statements were available, to determine if any items need to be disclosed. The Town is not aware of any items which need disclosure.

TOWN OF DUSTIN, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2020

	<u>Street Fund</u>	<u>Cemetery Fund</u>	<u>Total Nonmajor Funds</u>
ASSETS			
Cash and cash equivalents	\$ 31,907	\$ 12,231	\$ 44,138
Investments	-	5,366	5,366
Due from other funds	<u>14,030</u>	<u>1,530</u>	<u>15,560</u>
TOTAL ASSETS	<u>\$ 45,937</u>	<u>\$ 19,127</u>	<u>\$ 65,064</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES			
Unreserved	<u>45,937</u>	<u>19,127</u>	<u>65,064</u>
TOTAL FUND BALANCES	<u>45,937</u>	<u>19,127</u>	<u>65,064</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 45,937</u>	<u>\$ 19,127</u>	<u>\$ 65,064</u>

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

TOWN OF DUSTIN, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED June 30, 2020

	<u>Street Funds</u>	<u>Cemetery Funds</u>	<u>Total Nonmajor Funds</u>
Revenue			
Taxes	\$ 2,990	\$ -	\$ 2,990
Investment Income	-	-	-
Other Revenue	37,344	-	37,344
Grant Income	<u>67,000</u>	<u>-</u>	<u>67,000</u>
Total revenue	<u>107,334</u>	<u>-</u>	<u>107,334</u>
Expenditures			
Current			
Street & Alley	103,862	-	103,862
Cemetery	-	-	-
Capital outlay	<u>19,320</u>	<u>-</u>	<u>19,320</u>
Total expenditures	<u>123,182</u>	<u>-</u>	<u>123,182</u>
Net Operating income (loss)	<u>(15,848)</u>	<u>-</u>	<u>(15,848)</u>
Other financing sources			
Transfer out	<u>4,930</u>	<u>-</u>	<u>4,930</u>
Total other financing sources	<u>4,930</u>	<u>-</u>	<u>4,930</u>
Net change in fund balances	(10,918)	-	(10,918)
Fund balances, beginning	<u>56,855</u>	<u>19,127</u>	<u>75,982</u>
Fund balances, ending	<u>\$ 45,937</u>	<u>\$ 19,127</u>	<u>\$ 65,064</u>

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

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 Dustin
Dustin, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Dustin, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Dustin's basic financial statements and have issued my report thereon dated October 9, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Dustin's internal control over financial reporting (internal control) to determine the 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 Town of Dustin's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Dustin's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Dustin, Oklahoma's financial statements are free of 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

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

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 9, 2020