

**TOWN OF FORT COBB
Fort Cobb, Oklahoma**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2023

BY



Town of Fort Cobb
Fort Cobb, Oklahoma
Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Town of Fort Cobb
Fort Cobb, Oklahoma

Report on the Audit of the Financial Statements

Adverse Opinion

We 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 the Town of Fort Cobb, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Fort Cobb's basic financial statements as listed in the table of contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the financial statements referred to above do not present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fort Cobb, as of June 30, 2023, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Adverse Opinion on the Financial Statements as a Whole

Management was not able to present financial statements that are free from material misstatements. During the course of our audit, it was discovered that unjustified adjustments were made to the bank account. Because these adjustments are unrecorded and lack proper justification, management could not determine how these adjustments affected income and expense accounts. Therefore, we are unable to place reliance on any of the financial information presented in this report.

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 Fort Cobb 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 audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Town of Fort Cobb's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fort Cobb’s basic financial statements. The accompanying budgetary comparison information and the combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2023 on our consideration of the Town of Fort Cobb’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is 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 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 the Town of Fort Cobb’s internal control over financial reporting and compliance.

Furrh & Associates, PC

FURRH & ASSOCIATES, PC
Lawton, Oklahoma
November 6, 2023

Town of Fort Cobb, OK

Statement of Net Position

(Modified Cash Basis)

June 30, 2023

	Primary Government		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 646,211	\$ 255,210	\$ 901,421
Accounts Receivable	0	13,350	13,350
Prepaid Expenses	1,886	432	2,318
Capital Assets	867,289	347,068	1,214,357
Accumulated Depreciation	<u>(612,375)</u>	<u>(251,710)</u>	<u>(864,085)</u>
Total Assets	<u>\$ 903,011</u>	<u>\$ 364,350</u>	<u>\$ 1,267,361</u>
<u>Liabilities</u>			
Accounts Payable	\$ 6,087	\$ 2,507	\$ 8,594
Accrued Payroll & Comp. Absences	1,514	10,399	11,913
Meter Deposits	<u>0</u>	<u>16,083</u>	<u>16,083</u>
Total Liabilities	7,601	28,989	36,590
<u>Net Position</u>			
Invested in Capital	254,914	95,358	350,272
Restricted	0	16,908	16,908
Unrestricted	<u>640,496</u>	<u>223,095</u>	<u>863,591</u>
Total Net Position	<u>954,478</u>	<u>335,361</u>	<u>1,230,771</u>
Total Liabilities & Net Position	<u>\$ 962,079</u>	<u>\$ 364,350</u>	<u>\$ 1,326,429</u>

Please see accompanying notes to the financial statements.

Town of Fort Cobb, OK

Statement of Activities

(Modified Cash Basis)

Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Enterprise Activities</u>	<u>Total</u>
Primary Government							
Governmental Activities							
General Government	\$ 195,687	\$ 19,029	\$ 9,830	\$ 112,151	\$ (54,677)	\$ 0	\$ (54,677)
Public Safety - Fire	135,437	0	20,075	0	(115,362)	0	(115,362)
Street and Alley	21,018	0	0	0	(21,018)	0	(21,018)
Public Safety - Police	10,559	168	5,468	0	(4,923)	0	(4,923)
Community - Community Building	5,892	1,500	0	0	(4,392)	0	(4,392)
Total Governmental Activities	<u>368,593</u>	<u>20,697</u>	<u>35,373</u>	<u>112,151</u>	<u>(200,372)</u>	<u>0</u>	<u>(200,372)</u>
Enterprise Activities							
Public Works Authority	<u>279,773</u>	<u>340,822</u>	<u>0</u>	<u>9,741</u>	<u>0</u>	<u>70,790</u>	<u>70,790</u>
Total Enterprise Activities	<u>279,773</u>	<u>340,822</u>	<u>0</u>	<u>9,741</u>			
Total Primary Government	<u>\$ 648,366</u>	<u>\$ 361,519</u>	<u>\$ 35,373</u>	<u>\$ 121,892</u>	<u>(200,372)</u>	<u>70,790</u>	<u>(129,582)</u>
General Revenue							
Taxes:							
					211,206	0	211,206
					56,115	0	56,115
					22,180	0	22,180
					9,179	0	9,179
					4,906	0	4,906
					1,347	0	1,347
					17,814	0	17,814
					3,104	1,136	1,107
					<u>325,851</u>	<u>1,136</u>	<u>323,854</u>
					32,213	(32,213)	0
					<u>157,692</u>	<u>39,713</u>	<u>194,272</u>
					<u>796,786</u>	<u>295,648</u>	<u>1,092,434</u>
					<u>\$ 954,478</u>	<u>\$ 335,361</u>	<u>\$ 1,286,706</u>

Please see accompanying notes to the financial statements.

Town of Fort Cobb, OK
Governmental Funds
Balance Sheet
(Modified Cash Basis)
June 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 388,844	\$ 280,193	\$ 669,037
OMAG Escrow	34,728	0	34,728
Due from Other Funds	2,012	0	2,012
	\$ 425,584	\$ 280,193	\$ 705,777
<u>Liabilities and Fund Balances</u>			
Due to Other Funds	\$ 0	\$ 2,012	\$ 2,012
Total Liabilities	0	2,012	2,012
Fund Balances			
Non-spendable	0	0	0
Restricted	0	0	0
Committed	0	0	0
Assigned	0	0	0
Unassigned	425,584	278,181	703,765
	\$ 425,584	\$ 280,193	\$ 705,777
Total Liabilities and Fund Balances	\$ 425,584	\$ 280,193	\$ 705,777

Please see accompanying notes to the financial statements.

Town of Fort Cobb, OK
Governmental Funds
Balance Sheet
(Modified Cash Basis)
June 30, 2023

Reconciliation to Statement of Net Position

Fund Balances	703,765
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital Assets used in governmental activities of \$867,289 Net of Accumulated Depreciation of \$612,375 are not financial resources and, therefore, are not reported in the funds.</p>	254,914
Prepaid Expenses are not a financial asset	1,886
<p>The following items are not considered financial liabilities:</p>	
Accounts Payable	(6,087)
Accrued Payroll and Compensated Absences	(1,514)
	(7,601)
Net Position of Governmental Activities	\$ 954,478

Please see accompanying notes to the financial statements.

Town of Fort Cobb, OK
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Year Ended June 30, 2023

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>			
Tax Revenue	\$ 276,943	\$ 27,990	\$ 304,933
Grants	112,151	18,021	130,172
Miscellaneous	16,147	2,872	19,019
Cemetery Income	0	17,824	17,824
Donations	0	17,352	17,352
Rent Income	1,500	0	1,500
Fines	0	168	168
	<hr/>	<hr/>	<hr/>
Total Revenue	406,741	84,227	490,968
<u>Expenditures</u>			
General Government:			
General Government	271,499	19,770	291,269
Public Safety:			
Police	6,655	3,904	10,559
Fire	121,858	13,579	135,437
Code Enforcement			
Code Enforcement	6,532	0	6,532
Street and Public Works:			
Streets	14,149	6,869	21,018
Community:			
Community Building	5,892	0	5,892
	<hr/>	<hr/>	<hr/>
Total Expenditures	426,585	44,122	470,707
<u>Revenue Over (Under) Expenditures</u>	(19,844)	40,105	20,261
<u>Other Financing Sources (Uses)</u>			
Interest Income	1,753	1,351	3,104
Transfers In/(Out)	8,237	23,976	32,213
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	9,990	25,327	35,317
<u>Net Changes in Fund Balance</u>	(9,854)	65,432	55,578
<u>Fund Balance, June 30, 2022</u>	435,438	212,749	648,187
	<hr/>	<hr/>	<hr/>
<u>Fund Balance, June 30, 2023</u>	\$ 425,584	\$ 278,181	\$ 703,765
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Please see accompanying notes to financial
statements.

Town of Fort Cobb, OK
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Year Ended June 30, 2023

Total Net Change in Fund Balance		\$ 55,578
Capital outlay to purchase assets that are reported in governmental funds as expenditures	\$ 120,093	
Capital expenses allocated over useful lives as annual depreciation as shown in the statement of activities	<u>(23,694)</u>	
Net effect of Capital Related Expenditures		96,399
Prepaid Expenses		
Net effect of Prepaid Expenses		<u>(1,886)</u>
Accounts Payable		
Net effect of Accounts Payable		<u>6,087</u>
Accrued Payroll and Compensated		
Net effect of Accrued Payroll and Compensated Absences		<u>1,514</u>
Change in Net Position of Governmental Activities		<u><u>\$ 157,692</u></u>

Please see accompanying notes to financial statements.

Town of Fort Cobb, OK
Fort Cobb Public Works Authority
Enterprise Fund
Statement of Net Position
(Modified Cash Basis)
June 30, 2023

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 222,219
Accounts Receivable	13,350
Prepaid Expenses	432

Total Current Assets \$ 236,001

Noncurrent Assets

Restricted Cash and Cash Equivalents	32,991
Capital Assets	347,068
Accumulated Depreciation	(251,710)

Total Noncurrent Assets 128,349

Total Assets \$ 364,350

LIABILITIES

Current Liabilities

Due to Depositors	\$ 16,083
Accrued Payroll and Compensated Absences	10,399
Accounts Payable	2,507

Total Current Liabilities \$ 28,989

Total Liabilities 28,989

NET POSITION

Invested in Capital Assets, Net of Related Debt	95,358
Restricted due to Meter Fund	16,908
Unrestricted	223,095

Total Net Position 335,361

Total Net Position and Liabilities \$ 364,350

Please see accompanying notes to the financial statements.

Town of Fort Cobb, OK
Fort Cobb Public Works Authority
Enterprise Fund
Statement of Revenue, Expense, and Changes in Net Position
(Modified Cash Basis)
Year Ended June 30, 2023

Operating Revenue

Water Revenue	\$ 186,210	
Garbage Revenue	91,120	
Sewer Revenue	53,984	
Late Charges and Misc. Penalties	5,117	
Meter Deposits	3,125	
Miscellaneous Income	1,266	
Total Operating Revenue	\$ 340,822	

Operating Expense

Personnel Services	119,945	
Garbage Service Expense	59,104	
Utilities	33,721	
Depreciation	19,754	
Repairs & Maintenance	18,096	
Operating Supplies	12,884	
Insurance	2,793	
Total Operating Expense	266,297	

Net Operating Income (Loss) 74,525

Nonoperating Revenue (Expense)

Interest Income	1,136
Grant Income	9,741
Grant Expenses	(13,476)

Net Nonoperating Income (Loss) (2,599)

Net Revenue (Loss) 71,926

Transfer (to)/from other accounts (32,213)

Total Net Position, June 30, 2022 295,648

Total Net Position, June 30, 2023 \$ 335,361

Please see accompanying notes to the financial statements.

Town of Fort Cobb, OK
Fort Cobb Public Works Authority
Enterprise Fund
Statement of Cash Flows
(Modified Cash Basis)
Year Ended June 30, 2023

Cash Flows from Operating Activities

Receipts from Customers	\$ 314,955
Miscellaneous Revenue	9,741
Operating Expenses	(247,545)
Net Cash Provided by Operating Activities	77,151

Cash Flows from Investing Activities

Purchase of Capital Assets	(6,333)
Interest Income	1,136
Net Cash Provided by Investing Activities	(5,197)

Net Increase (Decrease) in Cash and Cash Equivalents 71,954

Cash and Cash Equivalents - June 30, 2022 183,256

Cash and Cash Equivalents - June 30, 2023 \$ 255,210

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income	\$ 74,525
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities	
Depreciation Expense	19,754
Increase in Accounts Receivable	(13,350)
Increase in Prepaid Expenses	(432)
Increase in Accrued Payroll Expenses	176
Increase in Compensated Absences	10,223
Increase from Accounts Payable	2,507
Decrease in Customer Deposits	(12,517)
Grant Activities	
Income from Grants	9,741
Expenses from Grants	(13,476)
Net Cash Provided by Operating Activities	\$ 77,151

Please see accompanying notes to the financial statements.

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Fort Cobb, Oklahoma (the “Town”) operates under a Council-Manager form of government and provides for the following services as authorized by ordinance: public safety and health; maintenance of highways and streets; culture and recreation; zoning and planning; sanitation services; water distribution; wastewater treatment; and general administration.

The accounting policies and presentation of the basic financial statements of the Town have been prepared in conformity with the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles, as applicable to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

A. Financial Reporting Entity

In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town’s financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. The Town’s financial reporting entity is comprised of the following:

Primary Government: Town of Fort Cobb

Blended Component Units:

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. Currently, the Town does not have any blended component units.

Discretely Presented Component Units:

Discretely presented component units are separate legal entities that meet the component unit criteria above but do not meet the criteria for blending. Currently, the Town does not have any discretely presented component units.

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

B. Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including the statement of net position and statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements:

The government-wide focus is on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The statement of net position and statement of activities display information about the Town as a whole.

These statements include financial activities of the primary government; fiduciary activities, if any, have been excluded. The effect of interfund activity has been removed from these statements. The government-wide statement of activities reflects both expenses and net cost of each function of the Town's governmental activities. Program revenues include charges paid by a recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, such as sales taxes, are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each town function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements:

The financial transactions of the Town are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Fund financial statements are provided for governmental, proprietary, and fiduciary funds. The emphasis of fund financial statements is on major governmental and proprietary funds; therefore, each is displayed in a separate column. All remaining governmental and proprietary funds are aggregated and presented as nonmajor funds.

Funds are classified into the following categories: governmental, proprietary, and fiduciary. Governmental funds are used to account for all or most of a Town's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Operating revenues in the proprietary funds are those that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating. The Town's proprietary funds include the Public Works Authority.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments. As such, fiduciary funds are not reported in the government-wide statements.

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

C. Measurement Focus

The government-wide statements report using the economic resources measurement focus. Proprietary and fiduciary fund financial statements also report using this same focus.

Governmental fund financial statements report using the current financial resources measurement focus. Since the governmental fund financial statements are presented on a different measurement focus than the government-wide statements (due mainly to inclusion of capital assets and long-term debt activity in the town-wide presentation), a reconciliation is presented, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

Basis of Accounting:

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported in the financial statements. The Town maintains its accounting records for all funds on the modified cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

Modified cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

Proceeds from long-term debt borrowings are included as other financing sources on the fund financial statements on the date received.

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

Fund Types and Major Funds:

The Town reports the following major governmental fund:

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

The Town reports the following major enterprise funds:

The Public Works Authority is used to account for the revenues and expenses associated with providing utility services to the citizens of the Town.

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

D. Cash and Investments

The Town is statutorily limited to investing public funds in insured checking accounts, certificates of deposit, insured savings accounts, savings certificates and U.S. or Oklahoma government obligations. Certificates of deposit are reported at cost.

The Town is also required to secure collateral for invested funds in excess of amounts insured by the Federal Deposit Insurance Corporation or Federal Savings & Loan Insurance Corporation. Acceptable collateral is primarily limited to federal, state, and local government obligations.

E. Interfund Activities and Balances

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. The Town's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid grossing up balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfer 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.

F. Inventories

Inventories of goods and supplies on hand at year end are not material for the primary government. Therefore, purchases of inventory type items are recorded as expenditures or expenses at the time purchased, and no balances for such inventories on hand are reported.

G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, right of ways, and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of building improvements, infrastructure (runway) and machinery and equipment. The Town does have a formal capital asset policy. Any asset that exceeds \$1,000 is capitalized. Capital assets are reported at actual or estimated historical cost.

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

The cost of normal maintenance and repair that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building Improvements	39
Land Improvements	20
Machinery and Equipment	20
Furniture and Fixtures	10

H. Compensated Absences

Under terms of Town personnel policies, Town employees are granted vacation, sick, and personal leave in varying amounts, based on the length of employment. Employees can accumulate up to 65 hours of vacation leave. Under the modified cash basis of accounting, the Town does not record any accrued compensated absences. Those benefits utilized in the current year are recorded through payroll.

In the event of termination, an employee is paid for accumulated vacation time. No accumulated sick leave or personal leave will be paid to an employee upon termination of employment. The Town was able to calculate the year end liability balance.

I. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund, statement of net position.

J. Concentration of Credit Risk

All users of the Town's utility services are located within the same geographic area within Caddo County, Oklahoma.

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

K. Fund Equity

Government-wide Statements

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

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *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.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.” 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 Financial Statements:

Fund balance is the difference between assets and liabilities in a governmental fund. The Town reports a governmental fund’s fund balance into the following classifications:

- a. *Nonspendable* - includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements.
- b. *Restricted* - includes amounts that can be spent only for specific purposes because of the Town Charter, Town Code, state or federal laws, or externally imposed conditions by grantors, creditors, or donors.
- c. *Committed* - includes amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution. The Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council. The Town currently reports no committed fund balance.
- d. *Assigned* - includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.
- e. *Unassigned* - includes all spendable amounts not included in other classifications.

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Proprietary fund equity is classified in the same categories and manner as the government-wide statements.

The Town presents its fund balance in accordance with the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

L. Program Revenues

Charges for services include revenues based on exchange or exchange-like transactions, namely charges for services provided by the Town. Program specific grants and contributions (operations and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program, namely donations received from third-parties or state grants received for programs operations.

M. Related Party Transactions

There were no material related party transactions with Town officials or employees during the year ended June 30, 2023.

N. Estimates

The preparation of the basic financial statements in conformity with the modified cash basis of accounting requires Town's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and/or amounts of reported revenues and expenditures during the reporting period. Actual results could differ from those estimates.

O. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers all demand and savings accounts, which are highly liquid investments, to be cash. Cash invested in certificates of deposit with an original maturity of three-months or less is considered to be a cash equivalent.

P. Budget

The Town did prepare and adopt a budget for the fiscal year ending June 30, 2023.

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Q. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditure) until then. The government only has two items that qualify for reporting in this category. The Town reports deferred outflows related to pensions and debt refunding.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenues) until that time. The governmental funds report unavailable revenues from court fines, technology and infrastructure fees, ambulance, and grants, and also reports deferred amount related to leases receivable. For all of these except leases, these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government-wide Statement of Net Position reports only deferred inflows for pension and leases.

Lease-related amounts are recognized at the inception of leases in which the town is the lessor and are recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

R. Recent Accounting Pronouncements

Governmental Accounting Policies Adopted During Current Year

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Town adopted GASB 87 on July 1, 2022, for the June 30, 2023, reporting year, which did not have a significant impact on the Town's financial statements.

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides accounting and financial reporting guidance for the governmental end users of subscription-based information technology arrangements (SBITAs). GASB 96 defines an SBITA, establishes right-to-use assets and corresponding liabilities, and provides capitalization criteria and the note disclosures required for SBITAs. The Town adopted GASB 96 on July 1, 2022, for the June 30, 2023, reporting year, which did not have a significant impact on the Town's financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). GASB 99 is a technical omnibus statement that addresses issues or concerns from previous statements that were discovered during implementation and application of those statements. GASB 99 covers several topics including but not limited to, financial guarantees, derivatives, leases, non-monetary transactions, future revenue pledges and terminology updates. The Town adopted the sections that were effective immediately for the June 30, 2023, reporting year. The remaining sections will be adopted by the Town for the June 30, 2024, reporting year, as required by GASB 99. The Town does not expect GASB 99 to have a significant impact on the financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100). GASB 100 proscribes accounting and financial reporting for accounting changes and error corrections to the financial statements. GASB 100 defines what constitutes an accounting change versus a change in accounting principle or error correction and outlines the appropriate note disclosures in each circumstance. The Town will adopt GASB 100 on July 1, 2023, for the June 30, 2024, reporting year. The Town does not expect GASB 100 to have a significant impact on the financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 outlines the definition of compensated absences and sets forth the accounting and financial reporting for compensated absence liabilities. GASB 101 outlines that leave accrued should be measured using the employees pay rate at the financial statement date and that certain salary related payments, such as Social Security and Medicare, should be included in such measurement. The Town will adopt GASB 101 on July 1, 2024, for the June 30, 2025, reporting year. The Town has not determined the impact that GASB 101 will have on the financial statements.

S. Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through November 6, 2023, the date which the financial statements were available to be issued.

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 2 – CASH AND INVESTMENTS

Cash Deposits

The Town’s governmental and proprietary funds’ cash deposits consist of checking, savings accounts, and certificates of deposits. These deposits are stated at cost. The Town is authorized by state statute to invest in obligations of the United States of America.

At June 30, 2023, the carrying amount and the bank balance of the governmental funds’ cash deposits were \$669,037. Cash deposits do not include petty cash and cash on hand of \$40 in the General Fund. At June 30, 2023, the carrying amount and the bank balance of the proprietary funds’ cash deposits were \$222,219.

At June 30, 2023, the governmental and proprietary funds held the following deposits of unrestricted funds:

Unrestricted Cash and Cash Equivalents

Governmental Funds:

General Fund	388,845
Capital Improvement Fund	154,282
Fire Department Fund	40,620
Cemetery Improvement Fund	26,962
Cemetery M&O Fund	26,193
Fort Cobb Reserve Fund	16,169
Street & Alley Fund	9,388
Air Evac Fund	2,324
Municipal Court Fund	2,231
Police Fund	2,023
Total	\$ 669,037

Enterprise Funds:

Public Works Authority	\$ 222,219
Total	\$ 222,219

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

At June 30, 2023, the proprietary funds held the following deposits of restricted funds:

Restricted Cash, Cash Equivalents and Investments

Enterprise Funds:	
Public Works Authority - Meter Deposits	\$ 32,991
Total	<u>\$ 32,991</u>

Deposits and Investment Risks:

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Town’s name.

The Town does not have a formal investment policy as it relates to custodial credit risk. Acceptable collateral is limited to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the town must have a written collateral agreement approved by the board of directors or loan committee.

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 does not have a deposit policy for custodial credit risk for their governmental and proprietary funds.

As of June 30, 2023, the Town’s cash, deposits, and investments are classified in the following categories:

- A. Insured or collateralized with securities held by the entity or by its agent in the entity’s name.
- B. Collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name.
- C. Uncollateralized.

	A	B	C	Total
Town of Fort Cobb	\$ 924,247	\$ 0	\$ 0	\$ 924,247

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Investment Credit Risk – State law limits the investments available to the Town and is described below.

- 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 of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with instate 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 SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d.

Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The Town has no formal policy limiting investments based on credit rating but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies— as of the year end in the schedule above. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets identical assets; Level 2 inputs are significant other observable inputs. The valuations for Level 2 measurements are determined using quoted prices for similar assets or liabilities in active markets; Level 3 inputs are significant unobservable inputs.

The Town invests \$57,534 in Certificate of Deposits with the Washita Valley Bank.

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 3 – ACCOUNTS RECEIVABLE

The Town issues billing for utility services at the end of the calendar month. The following includes the amount billed for water tap services not yet paid as of June 30, 2023:

	Accounts Receivable
Balance, July 1, 2022	\$ 0
Additions	12,820
Balance, June 30, 2023	\$ 12,820

NOTE 4 – PREPAID ASSETS

Prepaid assets include the unamortized portion of the annual expense for their government funds:

	Prepaid Insurance	
	Government	Proprietary
Balance, July 1, 2022	\$ 0	\$ 0
Additions	1,886	432
Balance, June 30, 2023	\$ 1,886	\$ 432

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Changes in governmental capital assets during the year ending June 30, 2023, were as follows:

	Capital Assets	Accumulated Depreciation
Balance, July 1, 2022	\$ 747,196	\$ 588,681
Additions	120,093	23,694
Total	867,289	612,375
Disposals	0	0
Balance, June 30, 2023	\$ 867,289	\$ 612,375

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Changes in proprietary capital assets during the year ending June 30, 2023, were as follows:

	Capital Assets	Accumulated Depreciation
Balance, July 1, 2022	\$ 340,735	\$ 231,956
Additions	6,333	19,754
Total	347,068	251,710
Disposals	0	0
 Balance, June 30, 2023	 \$ 347,068	 \$ 251,710

NOTE 6 – ACCOUNTS PAYABLE

Accounts Payable is those amounts for goods or services received in June but not yet paid for as of June 30, 2023. The following is the listing of those accounts payable amounts per fund:

Accounts Payable

Governmental Funds:

General Fund	\$ 5,605
Street & Alley Fund	307
Air Evac Fund	175
Total	\$ 6,087

Enterprise Funds:

Public Works Authority	\$ 1,251
Total	\$ 1,251

NOTE 7 – PAYROLL LIABILITIES

The Town accrues a payroll liability and a liability for vacation pay or other compensated absences, which are liquidated through the Public Works Fund. Accrued payroll and compensated absences are reported as current liabilities in the statement of net position.

Accrued payroll and compensated absences activity for the year ended June 30, 2023 for their government funds were as follows:

	Accrued Payroll	Compensated Absences
Balance as of 07/01/2022	\$ 0	\$ 0
Additions	278	1,236
Reductions	0	0
Balance as of 06/30/2023	\$ 278	\$ 1,236

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Changes in proprietary payroll liabilities during the year ending June 30, 2023, were as follows:

	Accrued Payroll	Compensated Absences
Balance as of 07/01/2022	\$ 0	\$ 0
Additions	176	10,224
Reductions	0	0
Balance as of 06/30/2023	\$ 176	\$ 10,224

NOTE 8 – METER DEPOSITS

The Town has an established policy for the reimbursement of meter deposits for their water services. Changes during the year ending June 30, 2023, were as follows:

	Meter Deposits
Balance, July 1, 2022	\$ 15,800
Additions	282
Total	16,082
Disposals	0
Balance, June 30, 2023	\$ 16,082

NOTE 9 – PENSION

The Town participates in the Oklahoma Municipal Retirement Fund. This Fund is a defined benefit fund that requires 10 years to vest in retirement benefits. A recalculation of the year ending pension payments is as follows:

	Employer Portion 8.31%	Employee Portion 3.75%
FYE June 30, 2023	\$ 8,729	\$ 4,592

All firefighters participate in the Statewide Oklahoma Firefighter’s Pension and Retirement Town. The Town contributes to this plan for each firefighter in accordance with Oklahoma Statutes.

Town of Fort Cobb, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITES

The financial statements do not include any provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, cities and towns generally establish a sinking fund to satisfy legal judgments rendered against them. Tax revenues are then specifically assessed for payment of these claims which have been reduced to judgment. Such claims are generally paid through these special tax assessments over a three (3) year period.

Legal

From time to time, the Town is involved in certain legal proceedings arising in the normal course of business. In the opinion of management, the ultimate disposition of such proceedings will not have a material effect on the Town's financial statements.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. Also, all personnel responsible for custody of cash were bonded during the fiscal year.

The Town carries the following insurance coverage as protection against possible loss contingencies:

- Property Protection
- Workers Compensation
- Municipal Liability

Town of Fort Cobb, OK
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>				
City Sales Tax	\$ 148,845	\$ 160,753	\$ 188,122	\$ (27,369)
Grant Income	135,017	196,869	112,151	84,718
City Use Tax	47,860	51,689	56,115	(4,426)
Franchise Tax	18,960	20,477	22,180	(1,703)
Miscellaneous Revenue	3,551	3,833	15,774	(11,941)
Alcohol Beverage Tax	7,667	8,280	9,179	(899)
Interest	1,531	1,653	1,753	(100)
Rental Revenue	900	972	1,500	(528)
Cigarette Tax	1,043	1,126	1,347	(221)
License and Permits Revenue	215	2,717	373	2,344
Total Revenue	365,589	448,369	408,494	39,875
<u>Expenditures</u>				
<u>General Government</u>				
Personal Services	94,100	124,212	127,668	(3,456)
Maintenance and Operations	101,549	133,853	125,362	8,491
Grant Expense	129,934	129,934	0	
Capital Outlay	0	0	25,000	(25,000)
Total General Government	325,583	387,999	278,030	109,969
<u>Police Department</u>				
Maintenance and Operations	1,641	11,237	6,655	4,582
Total Police Department	1,641	11,237	6,655	4,582
<u>Fire Department</u>				
Maintenance and Operations	3,740	4,936	4,765	171
Capital Outlay	0	0	117,093	(117,093)
Total Fire Department	3,740	4,936	121,858	(116,922)
<u>Street & Alley</u>				
Maintenance and Operations	11,582	15,288	14,150	1,138
Total Street & Alley	11,582	15,288	14,150	1,138
<u>Community Building</u>				
Maintenance and Operations	5,765	7,610	5,892	1,718
Total Community Building	5,765	7,610	5,892	1,718
Total Expenditures	348,311	427,070	426,585	485

Please see accompanying notes to the financial statements.

Town of Fort Cobb, OK
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Revenue Over (Under) Expenditures</u>	17,278	21,299	(18,091)	39,390
 <u>Other Financing Sources (Uses)</u>				
Transfer In	0	0	32,213	(32,213)
Transfer Out	<u>0</u>	<u>0</u>	<u>(23,976)</u>	<u>23,976</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>8,237</u>	<u>(8,237)</u>
 <u>Revenue and Other Financing Sources</u>				
<u>Over (Under) Expenditures & Other Uses</u>	17,278	21,299	(9,854)	31,153
<u>Fund Balance, June 30, 2022</u>	<u>435,438</u>	<u>435,438</u>	<u>435,438</u>	<u>0</u>
<u>Fund Balance, June 30, 2023</u>	<u>\$ 452,716</u>	<u>\$ 456,737</u>	<u>\$ 425,584</u>	<u>\$ 31,153</u>

Please see accompanying notes to the financial statements.

Town of Fort Cobb, OK
Notes to Budgetary Comparison Information
Year Ended June 30, 2023

Note 1 - Notes to Budgetary Comparison Information

The Town's annual operating budget represents appropriations as authorized by the Governing Board in accordance with the provisions of the Oklahoma statutes.

The Town operates under the guidelines of the "Municipal Budget Act" which allows the Governing Board to prepare its budgets based upon its estimated revenue. In addition, revisions may be made to the budget throughout the year as authorized by the Governing Board. The legal level of control of the budget is the expenditure category. The expenditure categories required by the applicable state statutes are:

1. Personal Services
2. Maintenance and Operations
3. Capital Outlays

It is the Town's policy that all appropriations lapse at the end of the fiscal year.

The operating budgets of the grants cover the period designated in the grant documents. The Town prepares its annual operating budget on the modified cash basis of accounting, the same basis used to account for actual revenues and expenditures.

The Town did prepare an annual operating budget for any funds for fiscal year ending June 30, 2023.

Town of Fort Cobb, OK
Nonmajor Governmental Funds
Balance Sheet
(Modified Cash Basis)
June 30, 2023

	<u>Street & Alley</u>	<u>Municipal Court</u>	<u>Cemetery M&O</u>	<u>Cemetery Improvement</u>	<u>Police</u>	<u>Fire</u>	<u>Capital Improvement</u>	<u>FC Reserves</u>	<u>Air EVAC</u>	<u>Total Non- Major Govt Funds</u>
<u>Assets</u>										
Cash in Bank	\$ 9,389	\$ 2,231	\$ 26,193	\$ 26,962	\$ 2,023	\$ 40,620	\$ 154,282	\$ 16,169	\$ 2,324	\$ 280,193
Total Assets	<u>\$ 9,389</u>	<u>\$ 2,231</u>	<u>\$ 26,193</u>	<u>\$ 26,962</u>	<u>\$ 2,023</u>	<u>\$ 40,620</u>	<u>\$ 154,282</u>	<u>\$ 16,169</u>	<u>\$ 2,324</u>	<u>\$ 280,193</u>
<u>Liabilities</u>										
Due to Other Funds	\$ 0	\$ 2,012	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,012
Total Liabilities	0	2,012	0	0	0	0	0	0	0	2,012
<u>Fund Equity</u>										
Fund Balance:										
Unrestricted	<u>9,389</u>	<u>219</u>	<u>26,193</u>	<u>26,962</u>	<u>2,023</u>	<u>40,620</u>	<u>154,282</u>	<u>16,169</u>	<u>2,324</u>	<u>278,181</u>
Liabilities & Equity	<u>\$ 9,389</u>	<u>\$ 2,231</u>	<u>\$ 26,193</u>	<u>\$ 26,962</u>	<u>\$ 2,023</u>	<u>\$ 40,620</u>	<u>\$ 154,282</u>	<u>\$ 16,169</u>	<u>\$ 2,324</u>	<u>\$ 280,193</u>

Please see accompanying notes to the financial statements.

Town of Fort Cobb, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Year Ended June 30, 2023

	<u>Street & Alley</u>	<u>Municipal Court</u>	<u>Cemetery M&O</u>	<u>Cemetery Improvement</u>	<u>Police</u>	<u>Fire</u>	<u>Capital Improvement</u>	<u>FC Reserves</u>	<u>Air EVAC</u>	<u>Total Non- Major Govt Funds</u>
<u>Revenue</u>										
Tax Revenue	\$ 4,906	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,084	\$ 0	\$ 0	\$ 27,990
Grants	0	0	0	0	5,468	12,553	0	0	0	18,021
Cemetery Income	0	0	16,255	1,569	0	0	0	0	0	17,824
Donations	0	0	9,830	0	0	7,522	0	0	0	17,352
Miscellaneous	0	0	0	0	0	0	0	0	2,040	2,040
Interest	114	0	160	195	0	20	679	183	0	1,351
Pound Income	0	0	0	0	832	0	0	0	0	832
Fines	0	168	0	0	0	0	0	0	0	168
Total Revenue	5,020	168	26,245	1,764	6,300	20,095	23,763	183	2,040	85,578
<u>Expenditures</u>										
Maintenance & Operations	6,869	19	18,330	0	3,885	10,579	0	15	1,425	41,122
Capital Outlay	0	0	0	0	0	3,000	0	0	0	3,000
Total Expenditures	6,869	19	18,330	0	3,885	13,579	0	15	1,425	44,122
Revenue Over (Under) Expenditures	(1,849)	149	7,915	1,764	2,415	6,516	23,763	168	615	41,456
Transfer (to)/from other accounts	0	0	12,300	0	0	5,676	0	6,000	0	23,976
Fund Balance, June 30, 2022	11,238	70	5,978	25,198	(392)	28,428	130,519	10,001	1,709	212,749
Fund Balance, June 30, 2023	\$ 9,389	\$ 219	\$ 26,193	\$ 26,962	\$ 2,023	\$ 40,620	\$ 154,282	\$ 16,169	\$ 2,324	\$ 278,181

Please see accompanying notes to the financial statements.



**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***

Board of Trustees
Town of Fort Cobb
Fort Cobb, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 Fort Cobb, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 6, 2023.

Report on Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the

accompanying schedule of findings and responses as items 2022-2, 2023-2, 2023-3, 2023-4, 2023-5, 2023-6, 2023-7, and 2023-8.

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. During our audit we identified multiple deficiencies in internal control that we consider to be significant deficiencies. Finding 2022-1 and 2023-1.

Report on Compliance and Other Matters

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

Town of Fort Cobb's Responses to Findings

The Town of Fort Cobb's management has not provided any responses to the findings identified in our audit and described in the accompanying schedule of findings. We have provided the Town of Fort Cobb's management with reasonable time to respond, but management elected not to comment on the identified findings.

Purpose of this Report

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

Furrh & Associates, PC
FURRH & ASSOCIATES, PC
Lawton, Oklahoma
November 6, 2023

Town of Fort Cobb, OK
Schedule of Findings
Year Ended June 30, 2023

Reportable Conditions of Internal Control, Compliance and Other Matters

2022-1 Payroll Tax Payments (Repeat Finding)

Condition – The Town paid payroll taxes late to the IRS.

Effect – The Internal Revenue Service may charge the Town penalties for paying payroll taxes late.

Cause – The Office Manager did not maintain accurate payroll records which resulted in late payments to tax authorities.

Criteria – Tax authorities have specific deadlines for payroll tax payments.

Recommendation – We recommend that the Office Manager review payroll tax reporting requirements on a regular basis.

Management's Response – Management elected not to respond.

2022-2 Lack of Utility Disconnection (Repeat Finding)

Condition – Citizens' utility service was not disconnected for late and/or non-payment.

Effect – The Town provided utility service without guarantee that payment would be received.

Cause – Due to a lack of oversight, multiple utility account balances were allowed to accumulate without regular payments.

Criteria – Town Ordinance requires delinquent utility accounts to be discontinued.

Recommendation – We recommend that the Town Council provide greater oversight of the office activities.

Management's Response – Management elected not to respond.

Town of Fort Cobb, OK
Schedule of Findings
Year Ended June 30, 2023

2023-1 Unreported Income from Comanche Nation

Condition – The Comanche Nation was provided services for which that have not yet paid. The amount owed was not included in the financial statements.

Effect – The Town revenue was understated due to the omission of the revenue from the financial statements.

Cause – Oversight by the Office Manager.

Criteria – Principles in accordance with the modified cash basis of accounting.

Recommendation – We recommend that a review of money owed to the Town be conducted in order for financial statements to be complete.

Management’s Response – Management elected not to respond.

2023-2 Unbalanced Bank Reconciliations

Condition – Bank account reconciliations are not being properly performed or balanced.

Effect – Bank balances are not being properly reconciled or tracked.

Cause – Discrepancies with the bank balances are not reviewed. Adjusting entries are created to adjust balances to actual.

Criteria – Principles in accordance with the modified cash basis of accounting.

Recommendation – We recommend that proper reconciliations are created and maintained. Also, we recommend that discrepancies with balances are investigated.

Management’s Response – Management elected not to respond.

Town of Fort Cobb, OK
Schedule of Findings
Year Ended June 30, 2023

2023-3 **Grant Payments Posted as Income**

Condition – Grant payment expenses in the amount of \$9,740 were posted as grant miscellaneous income instead of grant expense.

Effect – Grant expenses was overstated and grant revenue was understated.

Cause – Oversight by the Office Manager during posting.

Criteria – Principles in accordance with the modified cash basis of accounting.

Recommendation – We recommend that grant expenses and income are properly reviewed during posting and reconciliation.

Management's Response – Management elected not to respond.

2023-4 **Incorrect Meter Balances**

Condition – The Meter Deposit balance on the financial statements was incorrect.

Effect – The liability listed on the financial statements was \$12,046 higher than required.

Cause – Oversight by the Office Manager.

Criteria – Principles in accordance with the modified cash basis of accounting.

Recommendation – We recommend that a proper reconciliation of Meter Deposits due be performed.

Management's Response – Management elected not to respond.

Town of Fort Cobb, OK
Schedule of Findings
Year Ended June 30, 2023

2023-5 **Purchase Order System**

Condition – We noted multiple instances of Purchase Orders not being used to initiate the purchasing cycle.

Effect – Purchases were made without the proper approval process being followed.

Cause – Oversight by the Office Manager.

Criteria – Employee Policies and Procedures denotes that a purchase order must be used to initiate the purchasing cycle.

Recommendation – We recommend that purchase orders be issued before the purchase of a good or service takes place, per policy.

Management’s Response – Management elected not to respond.

2023-6 **Lack of Expense Documentation**

Condition – Documentation for all tested expenses could not be located.

Effect – Sufficient audit evidence could not be located.

Cause – Improper filing system was being followed by the office staff.

Criteria – Oklahoma Statute 11 Section 22-131 requires that documentation be maintained for five – ten years.

Recommendation – We recommend that a filing system be implemented and followed.

Management’s Response – Management elected not to respond.

Town of Fort Cobb, OK
Schedule of Findings
Year Ended June 30, 2023

2023-7 **Improper Cut-Off and Penalty Assessment**

Condition – Proper cut-off and penalty assessment was not being followed per ordinance.

Effect – Citizens are not being properly penalized for late payments.

Cause – Oversight by Office Manager.

Criteria – Article 2 Section 16-12, B states that “Water service payments shall be due on the 10th of the month following billing; any accounts that remain unpaid on or after the above-stated due date are subject to service disconnection. In the event that services are disconnected pursuant to this section, a reconnection fee in the amount of \$75.00 along with the full amount of overdue billings owed shall be paid prior to the reconnection of water services”.

Recommendation – We recommend that the Town properly assess penalties for late or nonpayment.

Management’s Response – Management elected not to respond.

2023-8 **Policy on Utility Payment Leniency**

Condition – Office staff were given authority to waive late fees and cut offs of utilities verbally.

Effect – Revenue for the town could be affected due to the lack of fee collection.

Cause – The Office Manager can waive late fees and cut offs of utilities without approval of the council.

Criteria – Principles in accordance with the modified cash basis of accounting in regard to management oversight.

Recommendation – We recommend that a written policy be created for the leniency of the Office Manager and staff.

Management’s Response – Management elected not to respond.