

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

Ralph Osborn, CPA
P.O. Box 1015
500 South Chestnut
Bristow, OK 74010-1015

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Stonewall as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

Basis for Opinion

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

Emphasis of Matter

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

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Stonewall's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town of Stonewall's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Stonewall's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Other information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Stonewall, Oklahoma's basic financial statements. The combining and nonmajor fund financial statements are presented for purposes 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 relate 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 10, 2024, on my consideration of Town of Stonewall'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* in considering Town of Stonewall, Oklahoma's internal control over financial reporting and compliance.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
January 10, 2024

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

	Primary Government		
	Business		
	Governmental	Type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 830,289	\$ 78,739	\$ 909,028
Restricted for debt service	-	100,922	100,922
Total current assets	830,289	179,661	1,009,950
Non-current assets:			
Capital assets			
Land	8,081	-	8,081
Other capital assets net of			
Accumulated depreciation	835,999	6,962,379	7,798,378
Total non-current assets	844,080	6,962,379	7,806,459
Total assets	1,674,369	7,142,040	8,816,409
LIABILITIES			
Current liabilities:			
long-term debt, current portion	-	37,019	37,019
Utility deposits	-	43,220	43,220
Total current liabilities	-	80,239	80,239
Non-Current liabilities:			
long-term debt, non-current portion	-	1,793,665	1,793,665
Total non-current liabilities	-	1,793,665	1,793,665
Total liabilities	-	1,873,904	1,873,904
NET POSITION			
Capital assets, net of related debt	844,080	5,131,695	5,975,775
Restricted for debt service	-	100,922	100,922
Unrestricted	830,289	35,519	865,808
Total net position	\$ 1,674,369	\$ 5,268,136	\$ 6,942,505

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

TOWN OF STONEWALL, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2023

Function/Programs	Program Revenue				Net Revenue
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 254,061	\$ -	\$ 4,949	\$ 958	\$ (248,154)
Street	37,500	-	2,980	-	(34,520)
Nutrition Center	25,937	-	15,980	-	(9,957)
Public Safety	26,797	14,255	-	-	(12,542)
Park	380	-	-	-	(380)
Cemetery	11,414	1,595	-	-	(9,819)
Total governmental activities	356,089	15,850	23,909	958	(315,372)
Business-type activities					
Utility service	451,083	286,927	-	530,266	366,110
Total business-type activities	451,083	286,927	-	530,266	366,110
Total primary government	\$ 807,172	\$ 302,777	\$ 23,909	\$ 531,224	\$ 50,738

Primary Government		
Governmental Activities	Business-type Activities	Total

Changes in net position:

Net (expense) revenue	\$ (315,372)	\$ 366,110	\$ 50,738
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General revenues

Taxes			
Sales/Use tax	287,030	-	287,030
Franchise	16,020	-	16,020
Other tax	2,521	-	2,521
Royalties	22,256	-	22,256
Donations	13,873	-	13,873
Rent	1,125	-	1,125
Sale of assets	3,600	-	3,600
Insurance proceeds	-	-	-
Miscellaneous	12,402	-	12,402
Interest	1,991	2,071	4,062
Transfers	(45,697)	45,697	-
Total general revenue	315,121	47,768	362,889
Change in net position	(251)	413,878	413,627
Net position - beginning	1,674,620	4,854,258	6,528,878
Net position - ending	\$ 1,674,369	\$ 5,268,136	\$ 6,942,505

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

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

	General Fund	Non-Major Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 737,668	\$ 92,621	\$ 830,289
TOTAL ASSETS	<u>\$ 737,668</u>	<u>\$ 92,621</u>	<u>\$ 830,289</u>
FUND BALANCES			
Unrestricted	\$ 737,668	\$ 92,621	\$ 830,289
TOTAL FUND BALANCES	<u>737,668</u>	<u>92,621</u>	830,289
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 737,668</u>	<u>\$ 92,621</u>	

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET POSITION

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets	2,954,745	
Accumulated depreciation	<u>(2,110,665)</u>	<u>844,080</u>
Total net position		<u>\$1,674,369</u>

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

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

	General Fund	Non-Major Funds	Total Governmental Funds
Revenue			
Sales tax/use tax	\$ 287,030	\$ -	\$ 287,030
Franchise tax	16,020	-	16,020
Motor vehicle taxes	2,980	-	2,980
Gasoline tax	717	-	717
Cigarette tax	1,804	-	1,804
Alcoholic beverage tax	4,949	-	4,949
Mineral royalties	-	22,256	22,256
Court fines	4,040	-	4,040
Rent	-	1,125	1,125
Donations	-	13,873	13,873
Cemetery sales	-	1,595	1,595
Licenses and permits	-	-	-
Intergovernmental	958	15,980	16,938
Fire revenue	10,215	-	10,215
Insurance claim	-	-	-
Sale of assets	3,600	-	3,600
Interest	1,696	295	1,991
Other revenue	<u>5,520</u>	<u>6,882</u>	<u>12,402</u>
Total revenue	<u>339,529</u>	<u>62,006</u>	<u>401,535</u>
Expenditures			
Current			
General Government	200,208	6,884	207,092
Public Safety	21,825	-	21,825
Nutrition Center	-	21,332	21,332
Cemetery	<u>-</u>	<u>15,111</u>	<u>15,111</u>
Total expenditures	<u>222,033</u>	<u>43,327</u>	<u>265,360</u>
Excess (deficiency) of revenue over expenditures	117,496	18,679	136,175
Transfer in	-	-	-
Transfer out	<u>(45,697)</u>	<u>-</u>	<u>(45,697)</u>
Total transfers	<u>(45,697)</u>	<u>-</u>	<u>(45,697)</u>
Net change in fund balance	71,799	18,679	90,478
Fund balances, beginning	<u>665,869</u>	<u>73,942</u>	<u>739,811</u>
Fund balances, ending	<u>\$ 737,668</u>	<u>\$ 92,621</u>	<u>\$ 830,289</u>

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

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

Net changes in fund balances - total governmental funds \$ 90,478

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those cost are shown in the combined Statement of Net 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	(94,809)	
Capital outlay	<u>4,080</u>	<u>(90,729)</u>
Change in net position		<u>\$ (251)</u>

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

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

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 78,739
Restricted for debt service	<u>100,922</u>
Total current assets	<u>179,661</u>
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>6,962,379</u>
Total non-current assets	<u>6,962,379</u>
Total assets	<u>7,142,040</u>
LIABILITIES	
Current liabilities:	
Long-term debt, current portion	37,019
Utility deposits	<u>43,220</u>
Total current liabilities	<u>80,239</u>
Non-Current liabilities:	
Long-term debt, non-current portion	<u>1,793,665</u>
Total non-current liabilities	<u>1,793,665</u>
Total liabilities	<u>1,873,904</u>
NET POSITION	
Capital assets, net of related debt	5,131,695
Restricted for debt service	100,922
Unrestricted	<u>35,519</u>
Net position of business-type activities	<u>\$5,268,136</u>

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

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

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water	\$ 167,513
Wastewater charges	49,336
Sanitation charges	59,154
Other	<u>10,924</u>
Total operating revenues	<u>286,927</u>
<u>OPERATING EXPENSES</u>	
Personal services	104,661
Professional Services	3,749
Insurance	12,383
Office expense	7,144
Materials and supplies	3,987
Utilities and telephone	15,807
Sanitation contractor	41,045
Repairs and maintenance	17,907
Vehicle expense	6,182
Street expense	8,190
Water expense	10,796
Other operating expenses	32,419
Depreciation	<u>163,727</u>
Total operating expenses	<u>427,997</u>
Operating income (loss)	<u>(141,070)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Interest income	2,071
Grant income	530,266
Interest expense	<u>(23,086)</u>
Total non-operating revenue (expenses)	<u>509,251</u>
Transfers in	45,697
Transfers out	<u>-</u>
Total transfers	<u>45,697</u>
Change in net position of business type activities	413,878
Total net position, beginning	<u>4,854,258</u>
Total net position, ending	<u>\$5,268,136</u>

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

TOWN OF STONEWALL, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

Cash flows from operating activities	
Cash received from customers	\$ 286,927
Cash payments to employees	(104,661)
Cash payments to suppliers for goods and services	<u>(155,873)</u>
Net cash provided (used) by operating activities	<u>26,393</u>
Cash flows from non-capital and related financing activities	
Transfer (to)/from other funds, net	<u>45,697</u>
Net cash used for non-capital and related financing activities	<u>45,697</u>
Cash flows from capital and related financing activities	
Loan proceeds	112,568
Acquisition of fixed assets	(694,163)
Grant income	530,266
Interest paid on capital debt	(23,086)
Principal paid on capital debt	<u>(36,614)</u>
Net cash used for capital and related financing activities	<u>(111,029)</u>
Cash flows from investing activities	
Interest revenue	<u>2,071</u>
Net cash provided by investing activities	<u>2,071</u>
Net increase in cash and cash equivalents	(36,868)
Cash and cash equivalents, beginning	<u>216,529</u>
Cash and cash equivalents, ending	<u>\$ 179,661</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	\$ (141,070)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	163,727
Changes in assets and liabilities:	
Increase/(decrease) in utility deposits	<u>3,736</u>
Net cash provided by operating activities	<u>\$ 26,393</u>

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Stonewall, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, public safety, public works, nutrition, and cemetery. 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 Stonewall Public Works 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 Stonewall Public Works 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.

Stonewall Public Works Authority was created December 2, 1965 under the provisions of Title 60, Sections 176 to 180, Oklahoma Statutes 1961. The Authority is managed by a Board of Trustees made up of members of the Town Board of Trustees. The Authority operates water, sanitation, and sewer services for the Town of Stonewall.

Government-Wide and Fund Financial Statements

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

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the 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.

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. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

As a result of the use of the 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 and services received but not yet paid, and accrued expenses and liabilities) are *not recorded* in these financial statements.

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

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:

Stonewall 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. Revisions to the budget were made during the year.

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

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Investments

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories and prepaids are not reported under the modified cash basis of accounting.

Capital Assets, Depreciation, and Amortization

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

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

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

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

Compensated Absences

The Town does not report compensated absences under the modified cash basis of accounting.

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 of accounting 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 - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2023, the Town had on deposit \$121,765 that was not covered under FDIC insurance or other collateral. This amount was considered "at risk".

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$909,028 at June 30, 2023. The bank balance of the deposits at June 30, 2023 was approximately \$1,014,637.

Credit Risk

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

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

Interest Rate Risk

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

NOTE C- CAPITAL ASSETS

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

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated Land</u>
	<u>Buildings</u>	<u>Infrastructure & Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	
PRIMARY GOVERNMENT					
Governmental Activities					
Balance, June 30, 2022	\$1,291,390	\$ 1,513,315	\$ 137,879	\$ 2,942,584	\$ 8,081
Increases	-	4,080	-	4,080	-
Decreases	-	-	-	-	-
Balance, June 30, 2023	<u>1,291,390</u>	<u>1,517,395</u>	<u>137,879</u>	<u>2,946,664</u>	<u>8,081</u>
Accumulated Depreciation					
Balance, June 30, 2022	1,078,400	830,707	106,749	2,015,856	
Increase	51,106	37,884	5,819	94,809	
Decreases	-	-	-	-	
Balance, June 30, 2023	<u>1,129,506</u>	<u>868,591</u>	<u>112,568</u>	<u>2,110,665</u>	
Governmental Activities Capital Assets, Net	<u>\$ 161,884</u>	<u>\$ 648,804</u>	<u>\$ 25,311</u>	<u>\$ 835,999</u>	<u>\$ 8,081</u>
Business-type activities					
Balance, June 30, 2022	\$ 100,000	\$10,051,699	\$ 111,119	\$10,262,818	\$ -
Increases	-	671,029	23,134	694,163	-
Decreases	-	-	-	-	-
Balance, June 30, 2023	<u>100,000</u>	<u>10,722,728</u>	<u>134,253</u>	<u>10,956,981</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2022	88,000	3,691,078	51,798	3,830,876	
Increase	4,000	149,290	10,437	163,727	
Decreases	-	-	-	-	
Balance, June 30, 2023	<u>92,000</u>	<u>3,840,368</u>	<u>62,235</u>	<u>3,994,603</u>	
Business-type Activities Capital Assets, Net	<u>\$ 8,000</u>	<u>\$ 6,882,360</u>	<u>\$ 72,018</u>	<u>\$ 6,962,378</u>	<u>\$ -</u>
TOTAL					
Capital Assets, Net	<u>\$ 169,884</u>	<u>\$ 7,531,164</u>	<u>\$ 97,329</u>	<u>\$ 7,798,377</u>	<u>\$ 8,081</u>

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

<u>GOVERNMENT ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
General government	\$ 46,969	Public works	\$ 163,727
Cemetery	383		
Nutrition Center	4,605		
Public Safety	4,972		
Streets	37,500		
Parks	380		

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

NOTE D - PROPRIETARY FUND NOTES PAYABLE

The following is a summary of changes in long-term debt of the proprietary fund for the year ended June 30, 2023.

	Payable at July 1, 2022	Added	Retired	Balance at June 30, 2023
Rural Development	\$ 1,754,730	\$ 112,568	\$ (36,614)	\$ 1,830,684
	<u>\$ 1,754,730</u>	<u>\$ 112,568</u>	<u>\$ (36,614)</u>	<u>\$ 1,830,684</u>

As of June 30, 2023, the long-term debt payable from business-type activities resources consisted of the following:

Note payable with Rural Development dated
March 23, 2022, with an annual interest rate of 1.25%,
due in monthly payments of \$4,975 for 40 years. \$ 1,830,684

Total Notes Payable \$ 1,830,684

Debt Service Requirements to Maturity (Including full amount of loan):

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 37,019	\$ 22,681	\$ 59,700
2025	37,485	22,215	59,700
2026	37,956	21,744	59,700
2027	38,433	21,267	59,700
2028	38,916	20,784	59,700
2029-2033	202,046	96,454	298,500
2034-2038	215,069	83,431	298,500
2039-2043	228,933	69,567	298,500
2044-2048	243,689	54,811	298,500
2049-2053	259,397	39,103	298,500
2054-2058	276,118	22,382	298,500
2059-2062	215,623	5,166	220,789
Total	<u>\$ 1,830,684</u>	<u>\$ 479,605</u>	<u>\$2,310,289</u>

NOTE E - RESERVED FOR DEBT SERVICE - USDA RURAL DEVELOPMENT

The Loan Resolution Security Agreements with the USDA Rural Development requires a reserve fund to be funded at 10% of the monthly installment until the balance is equal to the annual installment amount (\$4,975 X 12 = \$59,700). At June 30, 2023, the total balance in the debt service reserve account at First American Bank was \$100,922.

NOTE F - CONTRIBUTED CAPITAL

The Town records grants, entitlements, contributed fixed assets, or shared revenues received by its funds for operations, capital acquisition, and/or construction as contributed capital. Depreciation is recognized on assets acquired with these funds.

NOTE G - UTILITY DEPOSITS

The Authority recorded a liability of \$43,220 for customer utility deposits at June 30, 2023. The deposit is refundable upon termination of utility service.

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

NOTE H - PENSION OBLIGATIONS

The Town participates in one pension plan.

Oklahoma Firefighter's Pension and Retirement System

Town of Stonewall participates in two statewide, cost-sharing multiple-employer defined benefit plans on behalf of police officers and firefighters. The systems are administered by agencies 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.

Oklahoma Police and Firefighter's Pension and Retirement Systems

	Oklahoma Firefighter's Pension <u>And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired 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>
2023	\$ 600	100%
2022	\$ 600	100%
2021	\$ 720	100%

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

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 - LITIGATION

The Town is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town. The Town retains legal council for legal proceedings. The Town may also be represented by attorneys retained by its insurance carrier.

NOTE J - 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 K - SUBSEQUENT EVENTS

Town management evaluated subsequent events through January 10, 2024, the date which the financial statements were available, to determine if any items need to be disclosed.

TOWN OF STONEWALL, OKLAHOMA
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

	<u>Cemetery</u>	<u>Community</u>	<u>Nutrition Center</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Cash and cash equivalents	\$ 67,319	\$ 3,807	\$ 21,495	\$ 92,621
TOTAL ASSETS	<u>\$ 67,319</u>	<u>\$ 3,807</u>	<u>\$ 21,495</u>	<u>\$ 92,621</u>
 LIABILITIES AND FUND BALANCES				
FUND BALANCES				
Unrestricted	\$ 67,319	\$ 3,807	\$ 21,495	\$ 92,621
TOTAL FUND BALANCES	<u>67,319</u>	<u>3,807</u>	<u>21,495</u>	<u>92,621</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 67,319</u>	<u>\$ 3,807</u>	<u>\$ 21,495</u>	<u>\$ 92,621</u>

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

TOWN OF STONEWALL, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>Cemetery</u>	<u>Community</u>	<u>Nutrition Center</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Cemetery lot sales	\$ 1,595	\$ -	\$ -	\$ 1,595
Donations	125	5,145	8,603	13,873
Rentals	-	-	1,125	1,125
Intergovernmental	-	-	15,980	15,980
Mineral royalties	22,256	-	-	22,256
Miscellaneous	6,871	-	11	6,882
Interest	<u>225</u>	<u>18</u>	<u>52</u>	<u>295</u>
TOTAL REVENUES	<u>31,072</u>	<u>5,163</u>	<u>25,771</u>	<u>62,006</u>
EXPENDITURES				
Current				
General government	-	6,884	-	6,884
Cemetery	15,111	-	-	15,111
Nutrition Center	<u>-</u>	<u>-</u>	<u>21,332</u>	<u>21,332</u>
TOTAL EXPENDITURES	<u>15,111</u>	<u>6,884</u>	<u>21,332</u>	<u>43,327</u>
Excess of revenues over (under) expenditures	<u>15,961</u>	<u>(1,721)</u>	<u>4,439</u>	<u>18,679</u>
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	15,961	(1,721)	4,439	18,679
Fund balances, beginning	<u>51,358</u>	<u>5,528</u>	<u>17,056</u>	<u>73,942</u>
Fund balances, ending	<u>\$ 67,319</u>	<u>\$ 3,807</u>	<u>\$ 21,495</u>	<u>\$ 92,621</u>

The accompanying notes are an integral part of these 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*

To the Honorable Mayor and Members of the Town Council
Town of Stonewall
Stonewall, 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Stonewall, Oklahoma, modified cash basis, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Stonewall's basic financial statements and have issued my report thereon dated January 10, 2024.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Stonewall's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Stonewall's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Stonewall'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 Stonewall, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed 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
January 10, 2024