

TOWN OF ARKOMA, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

TOWN OF ARKOMA, OKLAHOMA

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TOWN OF ARKOMA, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

Board of Trustees

Rick Harvey	Mayor
Billy Miller	Vice-Mayor
Tammy McLemore	Member
Jessica Walden	Member
Joshua Johnson	Member

Town Clerk & Treasurer

Dottie Smith

Town Attorney

Ronald H. Lawson

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: RK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Arkoma, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Arkoma, Oklahoma, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility 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. This includes 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in

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order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arkoma, Oklahoma, as of June 30, 2019, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The management's discussion and analysis, budgetary comparison schedules, introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements of the Town of Arkoma, Oklahoma.

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

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FAX (580) 762-1047

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 information is 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 June 24, 2020, on our consideration of the Town of Arkoma'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 solely 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 effectiveness of Town of Arkoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Arkoma's internal control over financial reporting and compliance.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC
Muskogee, Oklahoma

June 24, 2020

Town of Arkoma

P. O. BOX 277

ARKOMA, OKLAHOMA 74901

(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Arkoma's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2019, within the limitations of the Town's modified cash basis of accounting. Please read it in conjunction with the Town's financial statements that begin on page 14.

FINANCIAL HIGHLIGHTS

- The Town's total revenues exceeded total expenses, on the modified cash basis of accounting, by \$59,124 (*on page 15*) for the year, resulting in an increase in total net position of 2.17 percent under the previous year.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Town's modified cash basis of accounting.

Report Components This annual report consists of five parts as follows:

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities (*on page 15*) provide information about the activities of the Town government-wide (or "as a whole") and present a longer-term view of the Town's finances.

Fund Financial Statements: The fund financial statements (*starting on page 16*) focus on the individual parts of the Town government. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Town operates like businesses, such as water, sewer, and sanitation services.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 2 (Unaudited)**

Supplementary Information: This Management's Discussion and Analysis and the Governmental Funds Budgetary Comparison Schedules (*starting on page 42*) represent financial information to provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report includes financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column. This other supplemental financial information is provided to address certain specific needs of various users of the Town's annual report.

Basis of Accounting

The Town has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Town's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Town as a Whole

The Town's Reporting Entity Presentation

This annual report includes all activities for which the Town of Arkoma Council is fiscally responsible. These activities, defined as the Town's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

**TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 3 (Unaudited)**

The primary government includes the following legal entities:

- The Town of Arkoma
- Arkoma Municipal Authority

The Government-Wide Statement of Net Position and the Statement of Activities

Our financial analysis of the Town as a whole begins on page 9. The government-wide financial statements are presented on pages 14 and 15. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all of the Town's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the Town's net position and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the Town's net position—the difference between assets and liabilities—as one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's sales tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities. Most of the Town's basic services are reported here, including the police, fire, general administration, streets, parks, cemetery, and senior citizens. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

Business-type activities. The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water, sewer and sanitation systems are reported here.

Reporting the Town's Most Significant Funds

The Fund Financial Statements

Our analysis of the Town's major funds begins on page 11. The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

Governmental funds—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements. The Town considers the General Fund and the Capital Improvement Fund to be significant or major governmental funds. All other governmental funds are aggregated in a single column entitled nonmajor funds.

Proprietary funds—When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the Town's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The Town only has one enterprise fund—the Municipal Authority Utilities Fund.

**TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 5 (Unaudited)**

The Town currently has no fiduciary funds. *Fiduciary funds* are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements, and similar arrangements.

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Following is a summary of the Town's Net Position on a comparative basis with the previous year.

Net Position—Modified Cash Basis

	TOWN OF ARKOMA'S NET POSITION					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	580,486	523,761	440,860	311,023	1,021,346	834,784
Capital Assets	370,458	397,241	4,462,403	4,650,930	4,832,861	5,048,171
Total Assets	<u>950,944</u>	<u>921,002</u>	<u>4,903,263</u>	<u>4,961,953</u>	<u>5,854,207</u>	<u>5,882,955</u>
Long term liabilities	48,103	63,985	2,946,049	3,020,627	2,994,152	3,084,612
Other liabilities	5,950	5,593	64,990	62,759	70,940	68,352
Total Liabilities	<u>54,053</u>	<u>69,578</u>	<u>3,011,039</u>	<u>3,083,386</u>	<u>3,065,092</u>	<u>3,152,964</u>
Net Position:						
Net investment in capital assets						
net of related debt	322,355	333,256	1,516,354	1,630,303	1,838,709	1,963,559
Restricted	425,309	431,728	170,847	150,973	596,156	582,701
Unrestricted	149,287	86,440	204,963	97,291	354,250	183,731
Total Net Position	<u>896,951</u>	<u>851,424</u>	<u>1,892,164</u>	<u>1,878,567</u>	<u>2,789,115</u>	<u>2,729,991</u>

The Town's combined net position, resulting from modified cash basis transactions, increased from approximately \$2,729,991 to \$2,789,115 between fiscal years 2018 and 2019. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had an increase of \$45,527 and business-type activities increased by \$13,597.

Net position of the Town's governmental activities increased 1.05 percent to \$896,951. However, \$747,664 of those net position either are restricted as to the purposes they can be used for or are invested in capital assets. Consequently, unrestricted net position showed only \$149,287 at the end of this year. The net position of Town's business-type activities increased to \$1,892,164. However, \$1,687,201 of the net position was restricted as to the purposes they can be used for or are invested in capital assets. Consequently, the unrestricted position was \$204,963 at the end of the year.

**TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 6 (Unaudited)**

TOWN OF ARKOMA'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program Revenues:						
Fees, fines and charges for services	134,805	140,036	846,281	862,011	981,086	1,002,047
Operating grants and contributions	46,670	3,744	35,949	0	82,619	3,744
General revenues:						
Sales tax	92,555	102,816			92,555	102,816
Use tax	29,870	28,622			29,870	28,622
Franchise tax	66,591	63,742			66,591	63,742
Cigarette tax	819	1,227			819	1,227
Intergovt. Revenue	40,609	33,000			40,609	33,000
Investment earnings	7,707	2,616	4,493	1,023	12,200	3,639
Gain (loss) on sale of assets	0	0	0	0	0	0
Miscellaneous	15,866	18,858			15,866	18,858
Total revenues	<u>435,492</u>	<u>394,661</u>	<u>886,723</u>	<u>863,034</u>	<u>1,322,215</u>	<u>1,257,695</u>
Expenses:						
General government and administration	23,380	25,690			23,380	25,690
Public safety	313,442	319,805			313,442	319,805
Transportation	51,615	67,478			51,615	67,478
Cultural and recreational	1,530	1,790			1,530	1,790
Interest on long term debt						
Water and Sewer			777,726	850,954	777,726	850,954
Sanitation			95,399	89,803	95,399	89,803
Total expenses	<u>389,966</u>	<u>414,763</u>	<u>873,125</u>	<u>940,757</u>	<u>1,263,091</u>	<u>1,355,520</u>
Increases in net position before transfers	45,527	(20,102)	13,597	(77,723)	59,124	(97,825)
Transfers	0	0	0	0		
Net position - July 1	<u>851,424</u>	<u>871,526</u>	<u>1,878,567</u>	<u>1,939,290</u>	<u>2,729,991</u>	<u>2,810,816</u>
Net position - June 30	<u>896,951</u>	<u>851,424</u>	<u>1,892,164</u>	<u>1,861,567</u>	<u>2,789,115</u>	<u>2,712,991</u>

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

**TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 7 (Unaudited)**

For the year ended June 30, 2019, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$389,966. Of these total expenses, taxpayers and other general revenues funded \$254,017, while those directly benefiting from the program funded \$46,670 from grants and other contributions and \$134,805 from charges for services.

Business-Type Activities

The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements. The water and sewer service activities reported net revenues of \$6,014 and \$(856) respectively. The water and sewer include interest expense of \$61,832 and \$2,442 and the non-cash system depreciation of \$85,887 and \$123,429 respectively. The sanitation service is operated under private contract and the net revenue of \$3,945 is from a fee for billing and collection of the sanitation revenue along with the normal billing.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- On the modified cash basis of accounting, the General Fund reported revenues and lease proceeds of \$343,355, net transfers of \$6,000 and expenditures of \$286,508 resulting in an increase in fund balance of \$62,847.
- On the modified cash basis of accounting, the Street and Alley reported an increase in fund balance of \$1,491.
- On the modified cash basis of accounting, the Fire Fund reported a decrease in fund balance of \$7,910.

General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the General Fund budget at various times. The final adjusted budget, however, was consistent with the prior year budget.

For the year ended June 30, 2019, General Fund expenditures were \$390 under final appropriations, while actual resources available for appropriation were \$40,005 over the final budgeted amount.

**TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 8 (Unaudited)**

CAPTIAL ASSET AND DEBT ADMINISTRATION

Capital Assets—Modified Cash Basis

At June 30, 2019, the Town had \$4,832,861 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. This represents a net decrease of \$215,310 or 4.26 percent, under last year.

This year's more significant capital assets additions include:

General Fund - Police - 2012 Chevy Tahoe	\$6,500
General Fund - Police - 5 Body Cameras	6,670
Street - Zero Turn Mower	9,000
AMA - Water - Pipe & CBL Locator	2,317
AMA - Water - 34 Direct Read Meters	1,980
AMA - Water - Northside Town 2 Manholes	16,772

**Capital Assets at Year-end
Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	10,000	10,000	16,000	16,000	26,000	26,000
Const. In Progress	0	0	0	0	0	0
Buildings	67,565	71,587	12,577	13,193	80,142	84,780
Equipment	197,971	220,123	18,947	24,791	216,918	244,914
Improvements	0	0	4,414,879	4,596,946	4,414,879	4,596,946
Infrastructure	94,922	95,531	0	0	94,922	95,531
Total	<u><u>370,458</u></u>	<u><u>397,241</u></u>	<u><u>4,462,403</u></u>	<u><u>4,650,930</u></u>	<u><u>4,832,861</u></u>	<u><u>5,048,171</u></u>

**TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 9 (Unaudited)**

Long-Term Debt—Modified Cash Basis

At June 30, 2019, the Town as a whole had \$3,058,730 in long term debt arising from modified cash basis transactions compared to \$3,147,225 at June 30, 2018. At June 30, 2019, \$48,103 of the debt is related to governmental activities and \$3,010,627 related to business-type activities. (See table below).

Primary Government Long-Term Debt – Modified Cash Basis

	<u>2018</u>	<u>2019</u>
Governmental debt:		
Lease purchase to Welch St Bank	\$ 63,985	\$ 48,103
Total business-type debt	<u>63,985</u>	<u>48,103</u>
Business-type debt:		
Refundable utility deposits	\$ 62,613	\$ 64,578
OWRB note payable	84,168	68,334
RUS note payable	<u>2,936,459</u>	<u>2,877,715</u>
Total business-type debt	<u>3,083,240</u>	<u>3,010,627</u>
Total all debt	<u>\$ 3,147,225</u>	<u>\$ 3,058,730</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected officials and staff considers many factors in setting the 2018-2019 budget, tax rates and service rates being the main sources and personal services and utility costs being the main uses of funds.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk's office at 1103 Main, Arkoma, Oklahoma or telephone at (918) 875-3228.

TOWN OF ARKOMA, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS

JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, and cash equivalents	\$580,486	\$438,105	\$1,018,591
Due from other Governments	\$60	2,755	2,815
Capital assets (Note 2.C.):			
Land and construction in progress	10,000	16,000	26,000
Other capital assets, net of accumulated depreciation	360,458	4,446,403	4,806,861
Loan application cost, net of accumulated amortization		0	0
Total assets	951,004	4,903,263	5,854,267
LIABILITIES			
Payroll taxes payable	496	412	908
Due to other governments	5,454	60	5,514
Refundable deposits		64,578	64,578
Long term liabilities (Note 2.D.)			
Due within one year	16,471	75,951	92,422
Due in more than one year	31,632	2,870,098	2,901,730
Total Liabilities	54,053	3,011,099	3,065,152
NET ASSETS			
Net investment in capital assets	322,355	1,516,354	1,838,709
Restricted for:			
Street and Alley	349,010		349,010
Fire Department	76,299		76,299
Debt service		93,344	93,344
		77,503	77,503
Unrestricted	149,287	204,963	354,250
Total Net Position	\$896,951	\$1,892,164	\$2,789,115

See accompanying notes to the basic financial statements.

TOWN OF ARKOMA, OKLAHOMA

STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities							
General Government	\$23,380	\$5,157	\$36,000		\$17,777		\$17,777
Total general government	23,380	5,157	36,000	0	17,777	0	17,777
Public Safety:							
Police	263,785	129,148	6,670		(127,967)		(127,967)
Fire	47,829	500	4,000		(43,329)		(43,329)
Animal Control	39				(39)		(39)
Emergency Management	1,789				(1,789)		(1,789)
Total Public safety	313,442	129,648	10,670	0	(173,124)	0	(173,124)
Transportation:							
Streets	51,615				(51,615)		(51,615)
Total transportation	51,615	0	0	0	(51,615)	0	(51,615)
Cultural, Parks and Recreation:							
Library	1,530				(1,530)		(1,530)
Total cultural, parks and recreation	1,530	0	0	0	(1,530)	0	(1,530)
Total governmental activities	389,966	134,805	46,670	0	(208,491)	0	(208,491)
Business-type activities:							
Water	390,559	396,573				6,014	6,014
Sewer	387,168	350,363	35,949			(856)	(856)
Sanitation	95,399	99,344				3,945	3,945
Total business-type activities	873,125	846,281	35,949	0	0	9,104	9,104
Total primary government	\$1,263,091	\$981,086	\$82,619	\$0	(\$208,491)	\$9,104	(\$199,387)
					Governmental	Business-Type	Total
					(\$208,491)	\$9,104	(\$199,387)
General revenues:							
Taxes:							
Sales Tax					92,555		92,555
Use Tax					29,870		29,870
Franchise and public service taxes					66,591		66,591
Cigarette Tax					819		819
Intergovernmental revenue not restricted to specific programs					40,609		40,609
Interest income					7,707	4,493	12,200
Gain (loss) on sale of assets					0		0
Miscellaneous					15,866		15,866
Transfers internal activity							0
Total general revenues and transfers					254,017	4,493	258,510
					45,527	13,597	59,124
Net position-beginning					851,424	1,878,567	2,729,991
Net position- ending					\$896,951	\$1,892,164	\$2,789,115

See accompanying notes to the basic financial statements.

TOWN OF ARKOMA, OKLAHOMA
BALANCE SHEET -- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

JUNE 30, 2019

	<u>General Fund</u>	<u>Street & Alley Fund</u>	<u>Fire Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash, and cash equivalents	\$155,760	\$347,531	\$75,134	\$2,061	\$580,486
Due from General Fund		1,474	1,165		2,639
Due from AMA		60			60
Total assets	<u>155,760</u>	<u>349,065</u>	<u>76,299</u>	<u>2,061</u>	<u>\$583,185</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll taxes payable	441	55			496
Due to other governments	2,699				2,699
Due to Street Fund	1,474				1,474
Due to Fire Fund	1,165				1,165
Due to AMA	2,755				2,755
Total Liabilities	<u>8,534</u>	<u>55</u>	<u>0</u>	<u>0</u>	<u>8,589</u>
Fund Balances:					
Restricted for:					
Street and Alley		349,010			349,010
Fire Department			76,299		76,299
Assigned					0
Unassigned	147,226			2,061	149,287
Total Fund Balances	<u>147,226</u>	<u>349,010</u>	<u>76,299</u>	<u>2,061</u>	<u>574,596</u>
Total Liabilities and Fund Balances	<u>\$155,760</u>	<u>\$349,065</u>	<u>\$76,299</u>	<u>\$2,061</u>	

Reconciliation to Statement of Net Position:

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities of \$ 1,707,341 net of accumulated depreciation of \$ 1,336,883 are not financial resources and, therefore, are not reported in funds	370,458
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(48,103)</u>
Net position of governmental activities	<u>\$896,951</u>

See accompanying notes to the financial statements.

TOWN OF ARKOMA, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Street & Alley Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	128,135	30,854	30,846		189,835
Intergovernmental	64,787	18,492	4,000		87,279
Charges for services	12		500		512
Fines and forfeitures	129,148				129,148
Licenses and permits	5,145				5,145
Interest income	1,903	4,925	879		7,707
Miscellaneous	14,225	500	1,141		15,866
Total Revenues	<u>343,355</u>	<u>54,771</u>	<u>37,366</u>	<u>0</u>	<u>435,492</u>
Expenditures:					
Current:					
General Government:	22,087				22,087
Public Safety:					
Police	249,949				249,949
Fire			21,327		21,327
Emergency Management	228				228
Street and Public Works:					
Streets		44,280			44,280
Culture and Recreation:					
Library	1,074				1,074
Capital Outlay	13,170	9,000			22,170
Debt Service			17,949		17,949
Total Expenditures	<u>286,508</u>	<u>53,280</u>	<u>39,276</u>	<u>0</u>	<u>379,064</u>
Excess (deficiency) of revenues over expenditures	56,847	1,491	(1,910)	0	56,428
Other Financing Sources (Uses):					
Transfers in	6,000				6,000
Transfers out			(6,000)		(6,000)
Total Other Financing Sources (Uses)	<u>6,000</u>	<u>0</u>	<u>(6,000)</u>	<u>0</u>	<u>0</u>
Net change in fund balances	62,847	1,491	(7,910)	0	56,428
Fund balances - beginning	84,379	347,519	84,209	2,061	518,168
Fund balances - ending	<u>147,226</u>	<u>349,010</u>	<u>76,299</u>	<u>2,061</u>	<u>574,596</u>
Reconciliation to the Statement of Activities:					
Net change in fund balances -total governmental funds					\$56,428
Amounts reported for governmental activities in the Statement of Activities are different because:					
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:					
Capital asset purchases capitalized					22,170
Depreciation expense					(48,953)
Debt service principal payments are not considered expenditures in the governmental activities report					
The net effect of various transactions involving capital assets (i.e. sales, trade ins, and contributions)					15,882
					0
					<u>(10,901)</u>
Change in Net Position of Governmental Activities					
					<u>\$45,527</u>

See accompanying notes to the basic financial statements.

TOWN OF ARKOMA, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND

June 30, 2019

	<u>Arkoma Municipal Authority</u>
ASSETS	
Current Assets:	
Cash, and cash equivalents	\$202,681
Due from other governments	2,755
Total current assets	<u>205,436</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	235,424
Land and construction-in-progress	16,000
Other capital assets, net of accumulated depreciation	4,446,403
Total noncurrent assets	<u>4,697,827</u>
Total Assets	<u>4,903,263</u>
LIABILITIES	
Current Liabilities:	
Payroll taxes payable	412
Due to other governments	60
Notes payable - current portion	75,951
Total current liabilities	<u>76,423</u>
Noncurrent Liabilities:	
Refundable deposits	64,578
Notes payable - long-term portion	2,870,098
Total noncurrent liabilities	<u>2,934,676</u>
Total Liabilities	<u>3,011,099</u>
NET POSITION	
Net investment in capital assets	1,516,354
Restricted for debt service	93,344
Restricted for other purposes	77,503
Unrestricted	204,963
Total net position	<u>1,892,164</u>

See accompanying notes to combined financial statements.

TOWN OF ARKOMA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Arkoma Municipal Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Water	\$380,402
Sewer	336,437
Sanitation	95,396
Penalties	21,677
Water & Sewer Taps	425
Reconnect Fees	4,897
Other	7,045
Total Operating Revenues	846,279
Operating Expenses:	
Administration/General	56,286
Water	216,347
Sewer	237,866
Sanitation	88,755
Depreciation	209,596
Amortization	0
Total Operating Expenses	808,850
Net Operating Income (Loss)	37,429
Non-Operating Revenue (Expense):	
Grant income	35,949
Investment income	4,493
Interest expense and fiscal agent fees	(64,274)
Total Non-Operating Revenue (Expense)	(23,832)
Net Income (Loss) Before Operating Transfers	13,597
Transfers In	0
Changes in net position	13,597
Total Net Position-Beginning	1,878,567
Total Net Position-Ending	\$1,892,164

See accompanying notes to combined financial statements.

TOWN OF ARKOMA, OKLAHOMA
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
PROPRIETARY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Arkoma Municipal Authority Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$846,279
Payments to suppliers	(538,979)
Payments to employees	(60,275)
Receipts of customer utility deposits	15,772
Refunds of customer utility deposits	(13,807)
Net Cash Provided by Operating Activities	<u>248,990</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in due from other funds	(719)
Increase in due to other funds	60
Increase in payroll taxes payable	266
Net Cash Provided (Used) by Operating Activities	<u>(393)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(21,069)
Principal paid on capital debt	(74,578)
Interest and fiscal agent fees paid on capital debt	(64,274)
Net Cash Used in Capital and Related Financing Activities	<u>(159,921)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Grant income	35,949
Interest and dividends	4,493
Net Cash Provided by Investing Activities	<u>40,442</u>
Net Increase in Cash and Cash Equivalents	129,118
Balance- beginning of the year	<u>308,987</u>
Balance- end of the year	<u><u>\$438,105</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$37,429
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	209,596
Change in assets and liabilities:	
Refundable deposits	1,965
Net cash provided by operating activities	<u><u>\$248,990</u></u>

See accompanying notes to combined financial statements.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Town are described below.

1.A. FINANCIAL REPORTING ENTITY

The Town’s financial reporting entity is composed of the following:

Primary Government:	Town of Arkoma
Blended Component Unit:	Arkoma Municipal Authority

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

BLENDED COMPONENT UNIT

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit’s governing body is the same or substantially the same as the Town Council, or the component unit provides services entirely to the Town. The component unit’s funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Arkoma Municipal Authority	<i>Created January 4, 1972 to finance, develop, and operate the water, wastewater, and sanitation activities of the Town. Current Town Council serves as entire governing Body (Trustees). Debt issued by Authority Requires two-thirds approval of the Town Council</i>	<i>AMA Enterprise Fund</i>

The component unit does not issue separately audited component unit financial statements.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties of goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds, all of which are reported as nonmajor funds:

<i>Fund</i>	<i>Brief Description</i>
Street and Alley Fund	Accounts for gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements.
Fire Fund	Accounts for a special 1 cent sales tax for benefit of the fire department.

Capital Project Funds

Capital project funds area used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity presently includes no capital project fund.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

Fund	Brief Description
Arkoma Municipal Authority	Accounts for the activities of the public trust in providing water, wastewater, and sanitation services to the public.

1.C. MEASUREMENT FOCUS ON BASIS OF ACCOUNTING

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

MEASUREMENT FOCUS

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

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

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

BASIS OF ACCOUNTING

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

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

BASIS OF ACCOUNTING, (Cont.)

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

1.D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments. Trust account investments in open-ended mutual funds shares are also considered cash equivalents.

INVESTMENTS

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

CAPITAL ASSETS

The Town’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

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

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

Government-Wide Statements, (Cont.)

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture, and equipment	3-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

Fund Financial Statements

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

LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

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

EQUITY CLASSIFICATION

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 borrowing that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

Government-Wide Statements, (Cont.)

- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction 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 amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

1. E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

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

General Government	Licenses and permits.
Public Safety	Fine revenue and Fire run revenue; operating and capital grants include Cops School Grant and KEDDO
Streets and Public Works	Commercial vehicle and gasoline excise tax shared by the State

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

OPERATING REVENUE AND EXPENSES

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

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated.

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans—Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services—Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements—Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers—Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances—Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities—Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers--Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (Cont.)

3. Primary government and component unit activity and balances—Resource flows between the primary government (the Town and Municipal Improvement Authority) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

1.G. FUND EQUITY

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (Such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposed by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt services, or for other purposes).

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

1.H. USE OF STATEMENTS

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. DETAIL NOTES—TRANSACTIONS CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

2.A. CASH AND INVESTMENTS

CUSTODIAL CREDIT RISK-DEPOSITS

The table presented below is designed to disclose the level of custodial credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2019. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

- Category 1-- Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in its name.
- Category 2-- Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3-- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Town's name; or properly collateralized with no written and approved collateral agreement.

<i>Custody Credit Risk Category</i>		<u>Total Bank</u>			
<u>Type of Deposits</u>	<u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	
Insured deposits	250,000	250,000	-	-	
Uninsured deposits					
Collateralized	773,814	-	773,814	-	
Uncollateralized	-	-	-	-	
Total Deposits	1,023,814	250,000	773,814	-	Total Carrying Value
Petty Cash					<u>400</u>
					<u>1,018,591</u>
Reconciliation to Government-Wide Statements of Net Position:					
					<u>1,018,591</u>
					<u>Cash and cash equivalents</u>

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

INVESTMENTS AND CUSTODIAL CREDIT RISK

Investments are limited by State law to the following:

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

For purposes of custodial credit risk, the certificates of deposit are included in the preceding deposits risk analysis.

2.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$62,876. Additionally, a certificate of deposit is held for debt service on the OWRB promissory note in the amount of \$15,000. Also, the amounts held to comply with the RUS water and sewer project debt service requirements are \$78,343 in the debt reserve account and \$79,205 in the short lived asset reserve account.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

2.C. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year.

	<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2019</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	0	0	10,000
Total capital assets not being depreciated	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>10,000</u>
Other capital assets:				
Buildings	221,401	0	0	221,401
Vehicles	108,352	6,500	0	114,852
Machinery and equipment	808,129	15,670	0	823,799
Infrastructure	537,289	0	0	537,289
Total other capital assets at historical cost	<u>1,675,171</u>	<u>22,170</u>	<u>0</u>	<u>1,697,341</u>
Less accumulated depreciation for:				
Buildings	149,814	4,022	0	153,836
Vehicles	96,895	11,783	0	108,678
Machinery and equipment	599,463	32,539	0	632,002
Infrastructure	441,758	609	0	442,367
Total accumulated depreciation	<u>1,287,930</u>	<u>48,953</u>	<u>0</u>	<u>1,336,883</u>
Other capital assets, net	<u>387,241</u>	<u>(26,783)</u>	<u>0</u>	<u>360,458</u>
Governmental activities capital assets, net	<u>397,241</u>	<u>(26,783)</u>	<u>0</u>	<u>370,458</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	16,000	0	0	16,000
Construction-in-process	0	0	0	0
Total capital assets not being depreciated	<u>16,000</u>	<u>0</u>	<u>0</u>	<u>16,000</u>
Other capital assets:				
Buildings	22,370	0	0	22,370
Machinery and equipment	243,113	4,297	0	247,410
Utility property & improvements	7,889,254	16,772	0	7,906,026
Total other capital assets at historical cost	<u>8,154,737</u>	<u>21,069</u>	<u>0</u>	<u>8,175,806</u>
Less accumulated depreciation for:				
Buildings	9,177	616	0	9,793
Machinery and equipment	218,322	10,141	0	228,463
Utility property & improvements	3,292,308	198,839	0	3,491,147
Total accumulated depreciation	<u>3,519,807</u>	<u>209,596</u>	<u>0</u>	<u>3,729,403</u>
Other capital assets, net	<u>4,634,930</u>	<u>(188,527)</u>	<u>0</u>	<u>4,446,403</u>
Business-type activities capital assets, net	<u>4,650,930</u>	<u>(188,527)</u>	<u>0</u>	<u>4,462,403</u>

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

Primary Government	
Government Activities:	
General Government	1,293
Police	13,836
Fire	24,433
Street & Alley	7,335
Animal Control	39
Library	456
Emergency Management	1,561
Total depreciation expense for governmental activities	<u>48,953</u>
Business-Type Activities:	
Administration	280
Water	85,887
Sewer	123,429
Total depreciation expense for business-type activities	<u>209,596</u>

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

2.D. LONG-TERM DEBT

The reporting entity's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

Lease Purchase Obligations

As of June 30, 2019, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Lease purchase obligations due Welch State Bank:

3.64% interest with 120 monthly payments of a principal and interest of 1,496 due April 15, 2022, secured by 2012 International 4400 Commercial Rescue Pumper. Scheduled debt service payments to the Fire Fund. \$ 48,103

Total Lease Purchases Outstanding \$ 48,103

Current portion	\$ 16,471
Non-current portion	<u>31,632</u>
Total Notes Payable	\$ <u>48,103</u>

BUSINESS-TYPE ACTIVITIES

As of June 30, 2019, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Notes Payable:

Promissory Note to the Oklahoma Water Resources Board in the amount of 287,364 with a 2.495% interest and a .5% administration fee. Interest and principal payments are due semiannually with a stated principal payment of \$8,875 beginning September 15, 2003. The note proceeds are for sewer system improvements. 68,334

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

BUSINESS-TYPE ACTIVITIES, (Cont.)

Note due to Rural Utilities Service Department of Agriculture in the amount of \$3,241,000. The note was completely funded on April 9, 2014. The note is for the purpose of providing a portion of the cost of acquiring and constructing of Arkoma Municipal Authority water and sewer improvements. The original principal amount of \$3,241,000 will have a fixed interest rate of 2.125% with 480 monthly payments of principal and interest of \$10,048 due June 2053.

2,877,715

Total Notes Payable Outstanding	<u>\$ 2,946,049</u>
Current portion	\$ 75,951
Non-current portion	<u>2,870,098</u>
Total Notes Payable	<u>\$ 2,946,049</u>

Refundable Deposits:

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

Utility Deposits –Refundable	<u>\$ 64,578</u>
------------------------------	------------------

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

Type of Debt	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amount Due Within One Year
Government Activities:					
Capital Debt Obligations	63,985		15,882	48,103	16,471
Business-Type Activities:					
Refundable Deposits	62,613	15,772	13,807	64,578	
Notes Payable	3,020,627		74,578	2,946,049	75,951
Total Business-Type Activities:	3,147,225	15,772	104,267	3,058,730	92,422

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except for refundable deposits, as of June 30, 2019, are as follows:

Year Ended June 30,	Capital Debt Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2020	16,470.92	1,477.96	75,950.67	62,175.33
2021	17,080.56	868.32	77,638.56	60,487.44
2022	14,551.46	241.66	79,364.16	58,761.84
2023			83,245.13	56,999.95
2024			65,325.46	55,250.54
2025-2029	#		348,265.21	254,614.79
2030-2034	#		387,269.34	215,610.66
2035-2039			430,641.67	172,238.33
2040-2044			478,871.57	124,008.43
2045-2049			532,502.99	70,377.01
2050-2053			386,974.47	14,167.12
Total	<u>48,102.94</u>	<u>2,587.94</u>	<u>2,946,049.23</u>	<u>1,144,691.44</u>

DEBT SERVICE COVERAGE AND RESERVE REQUIREMENT

The Municipal Authority's OWRB Promissory Notes are collateralized by the revenue of the Arkoma Municipal Authority Water and Sewer System. The agreement OWRB contains provisions which require the Town to maintain pledged revenue, of at least 125% of the annual debt service and a debt reserve fund of 10% of the note balance. As of June 30, 2019, the Authority does meet the debt service coverage percentage. The Authority's reserve balance for the OWRB debt is \$15,000 and does meet the promissory note requirement.

The Municipal Authority's RUS Promissory Notes are collateralized by the revenue of the Arkoma Municipal Authority Water and Sewer System. The Authority is required to set aside at least 10% of the annual debt service in a debt reserve account. The Authority is required to monthly deposit \$1,055 beginning January 2017 into the debt reserve until a balance of \$298,600 is reached. The Authority began the year with \$65,806 has added monthly deposits of \$12,310 and interest of \$228 leaving an ending balance of \$78,344 in the debt reserve account as of June 30, 2019. The Authority is required to monthly deposit \$1,255 beginning April 2014 into a short lived asset reserve account until a balance of \$316,853 is reached. The Authority began the year with \$71,526 has added monthly deposits of \$15,060 and interest of \$874 less expenditures for replacement assets of \$8,255 leaving an ending balance of \$79,205 in the short lived asset reserve account as of June 30, 2019.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

2.E. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2019, were as follows:

<u>MAJOR FUNDS:</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Fire Fund	\$ 6,000	\$ -
Total General Fund	<u>6,000</u>	<u>-</u>
FIRE FUND:		
General Fund	<u>-</u>	<u>6,000</u>
Total Fire Fund	<u>-</u>	<u>6,000</u>
GRAND TOTALS	<u>\$ 6,000</u>	<u>\$ 6,000</u>

INTERFUND BALANCES

At June 30, 2019, the General Fund owed the Street Fund \$1,474, the Fire Fund \$1,165 and the Arkoma Municipal Authority \$2,755 and the Arkoma Municipal Authority owed the Street Fund \$60.

NOTE 3. OTHER NOTES

3. A. GRANTS AND CONTRACTS

Oklahoma Municipal Assurance Group - The Town was awarded a \$6,670 grant from the Oklahoma Municipal Assurance Group for body cameras for the police department. These funds were expended and received in the 2018-19 fiscal year.

OK Tobacco Settlement Endowment Trust Grant - The Town was awarded and received an Oklahoma Tobacco Settlement Endowment Trust Grant from the State of Oklahoma in the amount \$36,000 for park playground equipment. These funds received in the 2018-19 fiscal year will be expended in the 2019-20 fiscal year.

Rural Fire Defense Grant - The Town received a grant of \$4,000 from the Oklahoma Department of Agriculture Forestry Services for a fire calls.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

USDA Grant - The Arkoma Municipal Authority was awarded and received a grant from the United State Department of Agriculture (USDA) in the amount \$28,000 for the purpose of a engineering report and environmental study that will include sanitary sewer manhole survey/evaluation and study for the sewer department. These funds were expended and received in the 2018-19 fiscal year.

KEDDO Grant - The Arkoma Municipal Authority was awarded and received a Special grant from the Kiamichi Economic Development District of Oklahoma (KEDDO) in the amount \$7,499 for the purpose of a renovating and repairing 1 sewer manhole for the sewer department. These funds were expended and received in the 2018-19 fiscal year.

3.B. COUNTY FIRE DEPARTMENT SALES TAX REVENUE

The LeFlore County Board of Commissioners passed a resolution assessing a .25% sales tax for the benefit of the LeFlore County Fire Departments. The County began collecting the funds July 1, 2011 and remitting monthly into the funds designated by each County Fire Department and maintained under custody and control of the County Treasurer. In accordance with the resolution the funds can generally be used for construction and improvements, various approved equipment, fire training safety and education, and general maintenance and operation of the department. For the period beginning July 1, 2018 thru June 30, 2019 the Town of Arkoma Fire Department had a beginning balance of \$62,512.97 the department has been appropriated \$30,063.87 for its benefit and has expended \$18,378.04 leaving a balance of \$74,198.80 for future use. Funds requested must be used in accordance with County purchasing policies and procedures as outlined in the resolution.

3.C. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

Volunteer firemen of the Town of Arkoma, Oklahoma, participate in the Oklahoma Firefighters Pension and Retirement System. The plan covers all volunteer fireman hired before age 45 if they are working in a participating municipality. These firemen are not paid a salary.

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

Obtaining separately issued financial statements

Oklahoma Firefighter's
Pension and
Retirement System

Firefighters Pension & Retirement
4545 N. Lincoln Blvd.
Oklahoma City, OK 73105-3414

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS, (Cont.)

Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A
Town's contribution rate (\$60 per volunteer)	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	20 years of service
Eligibility and benefits 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.
Eligibility and benefits 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 with continued service for a maximum of 30 or more years
Provisions for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Provisions for: Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS, (Cont.)

Contributions and Trend Information

Contributions required by State Statute and made for each of the past three fiscal years are:

2017	\$ 960
2018	\$ 900
2019	\$ 840

These contributions represent 100% of the required contribution in each fiscal year.

The Town participates in the Oklahoma Municipal Retirement Fund (O.M.R.F.), which provides coverage to substantially all full-time Town employees. The plan is a multiple-employer plan.

Agent Multiple-Employer, Defined Contribution Plan

The Town provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate twelve months after the employee's employment commencement date.

The employer hereby elects to have provisions of Section 4.9 of the plan apply. The employer shall pick-up and pay 3% of each participant's compensation. The Town's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. The Town contributions for, and interest forfeited by, employees who leave employment before five years of service are divided equally among current plan participants.

The Town's total payroll in the fiscal year 2019 was \$251,507. The Town's contributions were calculated using the base salary amount of \$168,915. Both the Town and the covered employees made the required contribution of 3% and 1% respectively.

The employer required contributions from the current year wages amounted to \$5,067. The covered employees required contributions amounted to \$1,689 and additional voluntary contributions above the required 1% totaled \$3,206 for total plan employee/employer contributions of \$9,962.

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Related-Party Investments

As of June 30, 2019, the System held no related-party investments of the Town or of its component units.

3.D. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; employee's health and life; and natural disasters.

The Town manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk Retained
a. Torts, errors and omissions	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
b. Injuries to employees (workers' compensation)	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
c. Physical property loss and natural disasters	Purchased insurance with Oklahoma Municipal Assurance Group and	(1)
d. Health and life	Purchased insurance with Oklahoma Blue Cross and Blue Shield and Dearborn National Life	None

(1) The Town participates in the Oklahoma Municipal Assurance Group Liability Protection Plan and Life and Health Benefit Plan (risk entity pools).

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

3.E. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At June 30, 2019, the City had an unrecorded commitment for earned but unused vacation and compensatory time leave benefits that would require payment upon employee termination of service.

The compensated absences commitment of \$3,785 at June 30, 2019, can be summarized as follows:

	<u>Town</u>	<u>Street & Alley</u>	<u>AMA</u>	<u>Total</u>
Vacation	\$ 2,294	\$ 0	\$ 1,491	\$ 3,786

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

CONTINGENCIES

Grant Program Involvement

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

Litigation

The financial statements do not include accrual or provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, such judgments may become liabilities only of the Debt Service Fund and only in the year in which tax revenue is specifically assessed for payment of the claim, and only to the extent of the taxes so specifically assessed in that year. Such claims are generally paid through special tax assessments over a three-year period.

Accordingly, the Town believes that such claims should be recorded in the year in which taxes are assessed for payment on the claim, only to the extent of such tax revenue that is actually provided. This method is preferable to the conflicting rule for treatment of loss contingencies as set out in Statement of Financial Accounting Standards No.5 (issued by the Financial Accounting Standards Board) wherein contingencies should be recorded in full in the year in which it is probable that a liability has been created if the amount of loss can be reasonably estimated.

3.F. SUBSEQUENT EVENTS

The Town did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2019.

SUPPLEMENTARY INFORMATION

Supplementary information includes financial information and disclosures that provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as “the basic financial statements”).

**BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS
GENERAL FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	84,379	84,379	84,379	-
Revenues:				
Taxes				
Sales tax	32,750	32,750	30,855	(1,895)
Use tax	16,000	16,000	29,870	13,870
Franchise tax	70,000	70,000	66,591	(3,409)
Cigarette tax	1,000	1,000	819	(181)
Total Taxes	<u>119,750</u>	<u>119,750</u>	<u>128,135</u>	<u>8,385</u>
Intergovernmental:				
Alcoholic beverage tax	15,000	15,000	22,117	7,117
Grants	0	0	42,670	42,670
Total Intergovernmental	<u>15,000</u>	<u>15,000</u>	<u>64,787</u>	<u>49,787</u>
Charges for services	100	100	12	(88)
Fines and forfeitures				
Court Fines	144,000	144,000	129,148	(14,852)
Total Fines and Forfeitures	<u>144,000</u>	<u>144,000</u>	<u>129,148</u>	<u>(14,852)</u>
Licenses and Permits	5,000	5,000	5,145	145
Interest Income	500	500	1,903	1,403
Miscellaneous:				
Oil & Gas Royalties	100	100	90	(10)
Donations	400	400	1,638	1,238
Misc. Revenue	24,500	24,500	12,497	(12,003)
Total Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>14,225</u>	<u>(10,775)</u>
Other Financing Sources:				
Transfers from other funds	0	0	6,000	6,000
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>6,000</u>
Amounts available for appropriation	<u>393,729</u>	<u>393,729</u>	<u>433,734</u>	<u>40,005</u>

TOWN OF ARKOMA, OKLAHOMA

BUDETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS
 GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
General Government				
Personal services	19,063	19,063	13,337	5,726
Materials and supplies	500	500	120	380
Other services and charges	7,000	7,000	8,630	(1,630)
Capital outlay	0	0	0	0
Total General Government	<u>26,563</u>	<u>26,563</u>	<u>22,087</u>	<u>4,476</u>
Police:				
Personal services	182,835	182,835	187,856	(5,021)
Materials and supplies	16,100	16,100	14,671	1,429
Other services and charges	44,400	44,900	47,422	(2,522)
Capital outlay	5,000	15,000	13,170	1,830
Total Police	<u>248,335</u>	<u>258,835</u>	<u>263,119</u>	<u>(4,284)</u>
Library:				
Materials and supplies	200	200	77	123
Other services and charges	800	800	997	(197)
Total Library	<u>1,000</u>	<u>1,000</u>	<u>1,074</u>	<u>(74)</u>
General Emergency Management:				
Other services and charges	500	500	228	272
Total General Emergency Management	<u>500</u>	<u>500</u>	<u>228</u>	<u>272</u>
Other Financing Sources:				
Transfers to other funds	0	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	276,398	286,898	286,508	390
Ending Budgetary Fund Balance	<u>117,331</u>	<u>106,831</u>	<u>147,226</u>	<u>40,395</u>

TOWN OF ARKOMA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE FUNDS			
	STREET AND ALLEY			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Beginning Budgetary Fund Balance	347,519	347,519	347,519	0
Resources (Inflows):				
Taxes	28,000	28,000	30,854	2,854
Intergovernmental	14,500	14,500	18,492	3,992
Interest	0	1,500	4,925	3,425
Miscellaneous	1,500	1,000	500	(500)
Amounts available for appropriation	<u>391,519</u>	<u>392,519</u>	<u>402,290</u>	<u>9,771</u>
Charges to appropriations (Outflows):				
Street:				
Personal services	17,259	22,624	24,753	(2,129)
Materials and supplies	15,400	15,400	7,817	7,583
Other services and charges	21,800	13,800	11,710	2,090
Capital outlay	50,000	50,000	9,000	41,000
Total Street	<u>104,459</u>	<u>101,824</u>	<u>53,280</u>	<u>48,544</u>
Other Financing Uses:				
Transfers to other funds	0	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	104,459	101,824	53,280	48,544
Ending Budgetary Fund Balance	<u>287,060</u>	<u>290,695</u>	<u>349,010</u>	<u>58,315</u>

	SPECIAL REVENUE FUNDS			
	FIRE			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Beginning Budgetary Fund Balance	84,209	84,209	84,209	0
Resources (Inflows):				
Taxes	29,000	29,000	30,846	1,846
Intergovernmental	0	0	4,000	4,000
Charges for services	500	500	500	0
Interest	200	200	879	679
Miscellaneous	4,000	4,000	1,141	(2,859)
Amounts available for appropriation	<u>117,909</u>	<u>117,909</u>	<u>121,575</u>	<u>3,666</u>
Charges to appropriations (Outflows):				
Fire:				
Personal services	15,909	15,909	8,485	7,424
Materials and supplies	4,000	6,500	2,769	3,731
Other services and charges	9,000	16,100	10,073	6,027
Capital outlay	0	5,000	0	5,000
Debt service	18,000	18,000	17,949	51
Total Fire	<u>46,909</u>	<u>61,509</u>	<u>39,276</u>	<u>22,233</u>
Other Financing Uses:				
Transfers to other funds	0	0	(6,000)	(6,000)
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>(6,000)</u>	<u>6,000</u>
Total Charges to Appropriations	46,909	61,509	45,276	16,233
Ending Budgetary Fund Balance	<u>71,000</u>	<u>56,400</u>	<u>76,299</u>	<u>19,899</u>

TOWN OF ARKOMA, OKLAHOMA

NOTES TO BUDGETARY COMPARISON SCHEDULE JUNE 30, 2019

Budget Law

The Town prepares its annual operating budget under the provisions of the Municipal Budget Act (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1.
 - b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
 - c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the Town Council.
 - d. The adopted budget is filed with the Office of State Auditor and Inspector.
- The legal level of control at which expenditures may not legally exceed appropriations is by department within a fund.

All transfers of appropriations between departments and supplemental appropriations require Town Council approval. The Mayor may transfer appropriations between object categories within a department without Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules presented for purposes of additional analysis

TOWN OF ARKOMA, OKLAHOMA
COMBINING BALANCE SHEET-MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

SPECIAL REVENUE FUNDS

	<u>CDGB Grant Fund</u>
ASSETS	
Cash and cash equivalents	<u>2,061</u>
Total Assets	<u><u>2,061</u></u>
FUND BALANCES	
Unreserved, reported in nonmajor special revenue funds	<u><u>2,061</u></u>

TOWN OF ARKOMA, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE FUNDS			
	CDBG GRANT			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final			
Beginning Budgetary Fund Balance	2,061	2,061	2,061	0
Resources (Inflows):				
Intergovernmental	0	0	0	0
Amounts available for appropriation	<u>2,061</u>	<u>2,061</u>	<u>2,061</u>	<u>0</u>
Charges to appropriations (Outflows):				
CDBG Grant:				
Transfers out	0	0	0	0
Total CDBG Grant	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	0	0	0	0
Ending Budgetary Fund Balance	<u>2,061</u>	<u>2,061</u>	<u>2,061</u>	<u>0</u>

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: RK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

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

To the Board of Trustees
Town of Arkoma, 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, and in accordance with Oklahoma Statutes, 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 Arkoma, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Arkoma, Oklahoma's basic financial statements, and have issued our report thereon dated June 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Arkoma'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Arkoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Arkoma'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 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

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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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Town of Arkoma's financial statements are free of material misstatement, we performed tests of 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*.

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.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC
Muskogee, Oklahoma
June 24, 2020