

TOWN OF ARKOMA, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

TOWN OF ARKOMA, OKLAHOMA

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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
Bobby Weatherford	Member
Jessica Walden	Member
Joshua Johnson	Member

Town Clerk & Treasurer

Dottie Smith

Town Attorney

Ronald H. Lawson

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Ponca City, Oklahoma 74602
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Arkoma, Oklahoma

Report on the Financial Statements

I 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, 2021, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arkoma, Oklahoma, as of June 30, 2021, 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

I 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. My opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My 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

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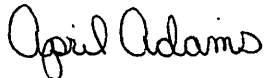
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the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the 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*, I have also issued my report dated November 10, 2022, on my consideration of the Town of Arkoma's internal control over financial reporting and on my 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 my 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.



April Adams CPA PLLC
Ponca City, Oklahoma

November 10, 2022

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, 2021, 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 expenses exceeded total revenues, on the modified cash basis of accounting, by \$144,667 (*on page 15*) for the year, resulting in an increase in total net position of 5.76 percent over 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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2021</u>	<u>2020</u>
Current and other assets	621,317	560,679	359,663	242,949	980,980	803,628
Capital Assets	425,478	382,553	4,130,666	4,299,002	4,556,144	4,681,555
Total Assets	<u>1,046,795</u>	<u>943,232</u>	<u>4,490,329</u>	<u>4,541,951</u>	<u>5,537,124</u>	<u>5,485,183</u>
Long term liabilities	14,567	31,643	2,779,857	2,858,018	2,794,424	2,889,661
Other liabilities	9,084	9,355	80,796	78,014	89,880	87,369
Total Liabilities	<u>23,651</u>	<u>40,998</u>	<u>2,860,653</u>	<u>2,936,032</u>	<u>2,884,304</u>	<u>2,977,030</u>
Net Position:						
Net investment in capital assets						
net of related debt	410,911	350,910	1,350,809	1,440,984	1,761,720	1,791,894
Restricted	439,651	431,062	136,802	116,092	576,453	547,154
Unrestricted	172,642	120,322	153,766	60,495	326,408	180,817
Total Net Position	<u>1,023,204</u>	<u>902,294</u>	<u>1,641,377</u>	<u>1,617,571</u>	<u>2,664,581</u>	<u>2,519,865</u>

The Town's combined net position, resulting from modified cash basis transactions, increased from approximately \$2,519,865 to \$2,664,581 between fiscal years 2020 and 2021. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had an increase of \$120,910 and business-type activities increased by \$23,757.

Net position of the Town's governmental activities increased 13.40 percent to \$1,023,204. However, \$850,562 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 \$172,642 at the end of this year. The net position of Town's business-type activities increased to \$1,629,616. However, \$1,475,850 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 \$153,766 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>2020</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	
Revenues:						
Program Revenues:						
Fees, fines and charges for services	143,666	126,287	935,101	856,401	1,078,767	982,688
Operating grants and contributions	270,467	4,642			270,467	4,642
General revenues:						
Sales tax	115,927	95,139			115,927	95,139
Use tax	47,045	29,291			47,045	29,291
Franchise tax	58,988	57,864			58,988	57,864
Cigarette tax	1,066	878			1,066	878
Intergovt. Revenue	51,786	39,092			51,786	39,092
Investment earnings	1,359	5,681	596	2,267	1,955	7,948
Gain (loss) on sale of assets	0	0	0	0	0	0
Miscellaneous	10,000	18,569			10,000	18,569
Total revenues	<u>700,304</u>	<u>377,443</u>	<u>935,697</u>	<u>858,668</u>	<u>1,636,001</u>	<u>1,236,111</u>
Expenses:						
General government and administration	24,411	25,785			24,411	25,785
Public safety	320,493	302,441			320,493	302,441
Transportation	56,679	42,643			56,679	42,643
Cultural and recreational	1,282	1,233			1,282	1,233
Interest on long term debt						
Water and Sewer Sanitation			989,035	1,049,527	989,035	1,049,527
			99,435	95,445	99,435	95,445
Total expenses	<u>402,864</u>	<u>372,102</u>	<u>1,088,471</u>	<u>1,144,972</u>	<u>1,491,335</u>	<u>1,517,074</u>
Increases in net position before transfers	297,441	5,343	(152,774)	(286,305)	144,667	(280,963)
Transfers	(176,531)	0	176,531	0		
Net position - July 1	<u>902,294</u>	<u>896,951</u>	<u>1,605,859</u>	<u>1,892,164</u>	<u>2,508,153</u>	<u>2,789,115</u>
Net position - June 30	<u>1,023,204</u>	<u>902,294</u>	<u>1,629,616</u>	<u>1,605,859</u>	<u>2,652,820</u>	<u>2,508,152</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, 2021, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$402,864. Of these total expenses, taxpayers and other general revenues funded \$109,640, while those directly benefiting from the program funded \$270,467 from grants and other contributions and \$143,666 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 \$(7,804) and \$(156,737) respectively. The water and sewer include interest expense of \$59,284 and \$1,130 and the non-cash system depreciation of \$83,834 and \$90,460 respectively. The sanitation service is operated under private contract and the net revenue of \$11,172 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 \$597,577, net transfers of \$(168,470) and expenditures of \$374,726 resulting in a decrease in fund balance of \$54,381.
- On the modified cash basis of accounting, the Street and Alley reported an increase in fund balance of \$9,566.
- On the modified cash basis of accounting, the Fire Fund reported a decrease in fund balance of \$977.

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, 2021, General Fund expenditures were \$240,224 over final appropriations, while actual resources available for appropriation were \$277,077 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, 2021, the Town had \$4,130,667 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 \$168,335 or 3.92 percent, under last year.

This year's more significant capital assets additions include:

General Fund - General Government - City Hall Remodel	\$34,453
General Fund - Police - Digi Ticket Software	17,873
General Fund - Police - PD Remodel	34,453
AMA - Sewer - Lift Station Roof	4,600

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

	Governmental Activities		Business-type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	10,000	10,000	16,000	16,000	26,000	26,000
Const. In Progress	0	0	0	0	0	0
Buildings	135,996	72,400	11,343	11,960	147,339	84,360
Equipment	185,194	205,548	12,928	14,839	198,122	220,387
Improvements	0	0	4,090,396	4,256,203	4,090,396	4,256,203
Infrastructure	94,288	94,605	0	0	94,288	94,605
Total	<u><u>425,478</u></u>	<u><u>382,553</u></u>	<u><u>4,130,667</u></u>	<u><u>4,299,002</u></u>	<u><u>4,556,145</u></u>	<u><u>4,681,555</u></u>

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

Long-Term Debt—Modified Cash Basis

At June 30, 2021, the Town as a whole had \$2,873,809 in long term debt arising from modified cash basis transactions compared to \$2,967,309 at June 30, 2020. At June 30, 2021, \$14,567 of the debt is related to governmental activities and \$2,873,809 related to business-type activities. (See table below).

Primary Government Long-Term Debt – Modified Cash Basis

	<u>2020</u>	<u>2021</u>
Governmental debt:		
Lease purchase to Welch St Bank	\$ 31,643	\$ 14,567
Total business-type debt	<u>31,643</u>	<u>14,567</u>
Business-type debt:		
Refundable utility deposits	\$ 65,936	\$ 67,624
OWRB note payable	52,020	35,200
RUS note payable	<u>2,817,710</u>	<u>2,756,418</u>
Total business-type debt	<u>2,935,666</u>	<u>2,859,242</u>
Total all debt	<u>\$ 2,967,309</u>	<u>\$ 2,873,809</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected officials and staff considers many factors in setting the 2020-2021 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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, and cash equivalents	\$621,317	\$353,725	\$975,042
Due from other Governments	\$60	5,938	5,998
Capital assets (Note 2.C.):			
Land and construction in progress	10,000	16,000	26,000
Other capital assets, net of accumulated depreciation	415,478	4,114,666	4,530,144
Loan application cost, net of accumulated amortization		0	0
Total assets	1,046,855	4,490,329	5,537,184
LIABILITIES			
Payroll taxes payable	1,591	1,411	3,002
Due to other governments	7,493	60	7,553
Refundable deposits		79,385	79,385
Long term liabilities (Note 2.D.)			
Due within one year	14,567	67,624	82,191
Due in more than one year		2,712,233	2,712,233
Total Liabilities	23,651	2,860,713	2,884,364
NET ASSETS			
Net investment in capital assets	410,911	1,350,809	1,761,720
Restricted for:			
Street and Alley	368,475		368,475
Fire Department	71,176		71,176
Debt service		77,703	77,703
		59,099	59,099
Unrestricted	172,642	153,766	326,408
Total Net Position	\$1,023,204	\$1,629,616	\$2,664,581

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, 2021

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions		Primary Government		
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities							
General Government	\$24,411	\$5,599	\$265,641		\$246,829		\$246,829
Total general government	24,411	5,599	265,641	0	246,829	0	246,829
Public Safety:							
Police	273,187	137,817			(135,370)		(135,370)
Fire	45,149	250	4,826		(40,073)		(40,073)
Animal Control	39				(39)		(39)
Emergency Management	2,118				(2,118)		(2,118)
Total Public safety	320,493	138,067	4,826	0	(177,600)	0	(177,600)
Transportation:							
Streets	56,679				(56,679)		(56,679)
Total transportation	56,679	0	0	0	(56,679)	0	(56,679)
Cultural, Parks and Recreation:							
Library	1,282				(1,282)		(1,282)
Total cultural, parks and recreation	1,282	0	0	0	(1,282)	0	(1,282)
Total governmental activities	402,864	143,666	270,467	0	11,269	0	11,269
Business-type activities:							
Water	403,075	395,269				(7,804)	(7,804)
Sewer	585,961	429,224				(156,737)	(156,737)
Sanitation	99,435	110,607				11,172	11,172
Total business-type activities	1,088,471	935,101	0	0	0	(153,370)	(153,370)
Total primary government	\$1,491,335	\$1,078,767	\$270,467	\$0	\$11,269	(\$153,370)	(\$142,101)
					Governmental	Business-Type	Total
					\$11,269	(\$153,370)	(\$142,101)
General revenues:							
Taxes:							
Sales Tax					115,927		115,927
Use Tax					47,045		47,045
Franchise and public service taxes					58,988		58,988
Cigarette Tax					1,066		1,066
Intergovernmental revenue not restricted to specific programs					51,786		51,786
Interest income					1,359	596	1,955
Gain (loss) on sale of assets					0		0
Miscellaneous					10,000		10,000
Transfers internal activity					(176,531)	176,531	0
Total general revenues and transfers					109,640	177,127	286,767
					120,910	23,757	144,667
Net position-beginning					902,294	1,605,859	2,508,153
Net position- ending					\$1,023,204	\$1,629,616	\$2,652,820

See accompanying notes to the basic financial statements.

TOWN OF ARKOMA, OKLAHOMA

BALANCE SHEET -- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

JUNE 30, 2021

	General Fund	Street & Alley Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, and cash equivalents	\$184,228	\$367,454	\$69,635		621,317
Due from General Fund		1,236	1,541		2,777
Due from AMA		60			60
Total assets	<u>184,228</u>	<u>368,750</u>	<u>71,176</u>	<u>0</u>	<u>\$624,154</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll taxes payable	1,316	275			1,591
Due to other governments	1,555				1,555
Due to Street Fund	1,236				1,236
Due to Fire Fund	1,541				1,541
Due to AMA	5,938				5,938
Total Liabilities	<u>11,586</u>	<u>275</u>	<u>0</u>	<u>0</u>	<u>11,861</u>
Fund Balances:					
Restricted for:					
Street and Alley		368,475			368,475
Fire Department			71,176		71,176
Assigned					0
Unassigned	172,642				172,642
Total Fund Balances	<u>172,642</u>	<u>368,475</u>	<u>71,176</u>	<u>0</u>	<u>612,293</u>
Total Liabilities and Fund Balances	<u>\$184,228</u>	<u>\$368,750</u>	<u>\$71,176</u>	<u>\$0</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 \$ 1,837,248 net of accumulated depreciation of \$ 1,411,770 are not financial resources and, therefore, are not reported in funds	425,478
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>(14,567)</u>
Net position of governmental activities	<u>\$1,023,204</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, 2021

	General Fund	Street & Alley Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	145,741	38,642	38,643		223,026
Intergovernmental	298,291	19,136	4,826		322,253
Charges for services	6		250		256
Fines and forfeitures	137,817				137,817
Licenses and permits	5,593				5,593
Interest income	516	736	107		1,359
Miscellaneous	9,613		387		10,000
Total Revenues	597,577	58,514	44,213	0	700,304
Expenditures:					
Current:					
General Government:	18,828				18,828
Public Safety:					
Police	267,098				267,098
Fire			21,241		21,241
Emergency Management					0
Street and Public Works:					
Streets		48,948			48,948
Culture and Recreation:					
Library	857				857
Capital Outlay	87,943				87,943
Debt Service			17,949		17,949
Total Expenditures	374,726	48,948	39,190	0	462,864
Excess (deficiency) of revenues over expenditures	222,851	9,566	5,023	0	237,440
Other Financing Sources (Uses):					
Transfers in	6,000				6,000
Transfers out	(174,470)		(6,000)	(2,061)	(182,531)
Total Other Financing Sources (Uses)	(168,470)	0	(6,000)	(2,061)	(176,531)
Net change in fund balances	54,381	9,566	(977)	(2,061)	60,909
Fund balances - beginning	118,261	358,909	72,153	2,061	551,384
Fund balances - ending	172,642	368,475	71,176	0	612,293
Reconciliation to the Statement of Activities:					
Net change in fund balances -total governmental funds					\$60,909
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					87,943
Depreciation expense					(45,018)
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)					17,076
					0
					60,001
Change in Net Position of Governmental Activities					\$120,910

See accompanying notes to the basic financial statements.

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

June 30, 2021

	<u>Arkoma Municipal Authority</u>
ASSETS	
Current Assets:	
Cash, and cash equivalents	\$149,299
Due from other governments	5,938
Total current assets	<u>155,237</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	204,426
Land and construction-in-progress	16,000
Other capital assets, net of accumulated depreciation	4,114,666
Total noncurrent assets	<u>4,335,092</u>
Total Assets	<u>4,490,329</u>
LIABILITIES	
Current Liabilities:	
Payroll taxes payable	1,411
Due to other governments	60
Notes payable - current portion	79,385
Total current liabilities	<u>80,856</u>
Noncurrent Liabilities:	
Refundable deposits	67,624
Notes payable - long-term portion	2,712,233
Total noncurrent liabilities	<u>2,779,857</u>
Total Liabilities	<u>2,860,713</u>
NET POSITION	
Net investment in capital assets	1,339,048
Restricted for debt service	77,703
Restricted for other purposes	59,099
Unrestricted	153,766
Total net position	<u><u>1,629,616</u></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, 2021

	<u>Arkoma Municipal Authority Enterprise Fund</u>
Operating Revenues:	
Charges for services:	
Water	\$378,568
Sewer	411,130
Sanitation	106,069
Penalties	23,339
Water & Sewer Taps	1,000
Reconnect Fees	6,525
Other	8,470
Total Operating Revenues	<u>935,101</u>
Operating Expenses:	
Administration/General	58,618
Water	233,935
Sewer	468,468
Sanitation	92,461
Depreciation	174,575
Amortization	0
Total Operating Expenses	<u>1,028,057</u>
Net Operating Income (Loss)	(92,956)
Non-Operating Revenue (Expense):	
Grant income	0
Investment income	596
Interest expense and fiscal agent fees	(60,414)
Total Non-Operating Revenue (Expense)	<u>(59,818)</u>
Net Income (Loss) Before Operating Transfers	(152,774)
Transfers In	<u>176,531</u>
Changes in net position	23,757
Total Net Position-Beginning	<u>1,605,859</u>
Total Net Position-Ending	<u>\$1,629,616</u>

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, 2021

	Arkoma Municipal Authority Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$935,101
Payments to suppliers	(778,952)
Payments to employees	(74,530)
Receipts of customer utility deposits	16,578
Refunds of customer utility deposits	(14,890)
Net Cash Provided by Operating Activities	<u>83,307</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Decrease in due from other funds	198
Increase in payroll taxes payable	1,046
Transfers from other funds	176,531
Net Cash Provided (Used) by Operating Activities	<u>177,775</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(6,240)
Principal paid on capital debt	(78,112)
Interest and fiscal agent fees paid on capital debt	(60,414)
Net Cash Used in Capital and Related Financing Activities	<u>(144,766)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	596
Net Cash Provided by Investing Activities	<u>596</u>
Net Increase in Cash and Cash Equivalents	116,912
Balance- beginning of the year	236,813
Balance- end of the year	<u><u>\$353,725</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	(\$92,956)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	174,575
Change in assests and liabilites:	
Refundable deposits	1,688
Net cash provided by operating activities	<u><u>\$83,307</u></u>

See accompanying notes to combined financial statements.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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 purposes 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, 2021**

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, 2021. 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	552,140	-	735,222	-	
Uncollateralized	-	-	-	-	
Total Deposits	802,140	250,000	735,222	-	Total Carrying Value
Petty Cash					<u>974,642</u>
					<u>400</u>
					<u>975,042</u>
Reconciliation to Government-Wide Statements of Net Position:					
					<u>975,042</u>
					Cash and cash equivalents

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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 \$67,351. 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 \$62,703 in the debt reserve account and \$59,372 in the short lived asset reserve account.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

2.C. CAPITAL ASSETS

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

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2021</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	229,497	68,906	0	298,403
Vehicles	104,713	0	0	104,713
Machinery and equipment	867,806	19,037	0	886,843
Infrastructure	537,289	0	0	537,289
Total other capital assets at historical cost	<u>1,739,305</u>	<u>87,943</u>	<u>0</u>	<u>1,827,248</u>
Less accumulated depreciation for:				
Buildings	157,097	5,310	0	162,407
Vehicles	99,839	1,300	0	101,139
Machinery and equipment	667,132	38,091	0	705,223
Infrastructure	442,684	317	0	443,001
Total accumulated depreciation	<u>1,366,752</u>	<u>45,018</u>	<u>0</u>	<u>1,411,770</u>
Other capital assets, net	<u>372,553</u>	<u>42,925</u>	<u>0</u>	<u>415,478</u>
Governmental activities capital assets, net	<u>382,553</u>	<u>42,925</u>	<u>0</u>	<u>425,478</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	229,866	1,640	0	231,506
Utility property & improvements	7,949,596	4,600	0	7,954,196
Total other capital assets at historical cost	<u>8,201,832</u>	<u>6,240</u>	<u>0</u>	<u>8,208,072</u>
Less accumulated depreciation for:				
Buildings	10,410	617	0	11,027
Machinery and equipment	215,027	3,551	0	218,578
Utility property & improvements	3,693,393	170,407	0	3,863,800
Total accumulated depreciation	<u>3,918,830</u>	<u>174,575</u>	<u>0</u>	<u>4,093,405</u>
Other capital assets, net	<u>4,283,002</u>	<u>(168,335)</u>	<u>0</u>	<u>4,114,667</u>
Business-type activities capital assets, net	<u>4,299,002</u>	<u>(168,335)</u>	<u>0</u>	<u>4,130,667</u>

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

Primary Government	
Government Activities:	
General Government	5,583
Police	6,088
Fire	23,034
Street & Alley	7,731
Animal Control	39
Library	425
Emergency Management	2,118
Total depreciation expense for governmental activities	<u>45,018</u>
Business-Type Activities:	
Administration	280
Water	83,834
Sewer	90,461
Total depreciation expense for business-type activities	<u>174,575</u>

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

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, 2021, 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. \$ 14,567

Total Lease Purchases Outstanding \$ 14,567

Current portion	\$ 14,567
Non-current portion	<u>0</u>
Total Notes Payable	\$ <u>14,567</u>

BUSINESS-TYPE ACTIVITIES

As of June 30, 2021, 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. 35,200

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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. 2,756,418

Total Notes Payable Outstanding	\$ <u>2,791,618</u>
Current portion	\$ 79,385
Non-current portion	<u>2,712,233</u>
Total Notes Payable	<u>\$ 2,791,618</u>

Refundable Deposits:

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

Utility Deposits –Refundable	\$ <u>67,624</u>
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CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

Type of Debt	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amount Due Within One Year
Government Activities:					
Capital Debt Obligations	31,643		17,076	14,567	14,567
Business-Type Activities:					
Refundable Deposits	65,936	16,578	14,890	67,624	
Notes Payable	<u>2,869,730</u>		<u>78,112</u>	<u>2,791,618</u>	<u>79,385</u>
Total Business-Type Activities:	<u>2,967,309</u>	<u>16,578</u>	<u>110,078</u>	<u>2,873,809</u>	<u>93,952</u>

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

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, 2021, are as follows:

Year Ended June 30,	Capital Debt Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2022	14,567.36	242.14	79,385.41	58,740.69
2023			82,378.12	56,978.08
2024			65,325.39	55,250.61
2025			66,727.16	53,848.84
2026			68,159.00	52,417.00
2027-2031			363,371.31	239,508.69
2032-2036			404,067.28	198,812.72
2037-2041			449,320.91	153,559.09
2042-2046			499,642.79	103,237.21
2047-2051			555,600.49	47,279.51
2052-2053			157,640.65	2,356.93
Total	<u>14,567.36</u>	<u>242.14</u>	<u>2,791,618.51</u>	<u>1,021,989.37</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, 2021, the Authority does not 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 \$50,588 has added monthly deposits of \$12,060 and interest of \$55 and less expenditures of \$0 leaving an ending balance of \$62,703 in the debt reserve account as of June 30, 2021. 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 \$51,077 has added monthly deposits of \$15,060 and interest of \$80 less expenditures for replacement assets of \$6,845 leaving an ending balance of \$59,372 in the short lived asset reserve account as of June 30, 2021.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

2.E. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2021, were as follows:

<u>MAJOR FUNDS:</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Fire Fund	\$ 6,000	\$ -
Arkoma Municipal Authority		174,470
Total General Fund	<u>6,000</u>	<u>174,470</u>
FIRE FUND:		
General Fund	-	6,000
Total Fire Fund	<u>-</u>	<u>6,000</u>
CDGB Grant:		
Arkoma Municipal Authority	-	2,061
Total CDBG Grant	<u>-</u>	<u>2,061</u>
ARKOMA MUNICIPAL AUTHORITY:		
General Fund	\$ 174,470	
CDBG Grant	2,061	-
Total Street Fund	<u>176,531</u>	<u>-</u>
 GRAND TOTALS	 <u>\$ 182,531</u>	 <u>\$ 182,531</u>

INTERFUND BALANCES

At June 30, 2021, the General Fund owed the Street Fund \$1,236, the Fire Fund \$1,541 and the Arkoma Municipal Authority \$5,938 and the Arkoma Municipal Authority owed the Street Fund \$60.

NOTE 3. OTHER NOTES

3. A. GRANTS AND CONTRACTS

Oklahoma Office of Management and Enterprise Services - The Town was awarded a \$124,556 grant from the Oklahoma Office of Management and Enterprise Services for covid payroll relief. These funds were expended and received in the 2020-21 fiscal year.

USDA Grant - The Town was awarded and received a grant from the United States Department of Agriculture (USDA) in the amount \$51,000 for the purpose of city hall remodel and PD remodel due to flooding.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Federal Emergency Management Agency Grant - The Town was awarded a \$90,085 grant from the Federal Emergency Management Agency for flooding repairs. These funds were expended and received in the 2020-21 fiscal year.

Rural Fire Defense Grant - The Town received a grant of \$4,826 from the Oklahoma Department of Agriculture Forestry Services for a fire calls.

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, 2020 thru June 30, 2021 the Town of Arkoma Fire Department had a beginning balance of \$91,851.23 the department has been appropriated \$36,625.90 for its benefit and has expended \$19,405.76 leaving a balance of \$109,071.37 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

	Oklahoma Firefighter’s Pension and <u>Retirement System</u>
Obtaining separately issued financial statements	Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

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

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

Contributions and Trend Information

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

2019	\$ 840
2020	\$ 844
2021	\$ 600

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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

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 amount current plan participants.

The Town's total payroll in the fiscal year 2021 was \$276,453. The Town's contributions were calculated using the base salary amount of \$229,643. 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 \$6,889. The covered employees required contributions amounted to \$2,296 and additional voluntary contributions above the required 1% totaled \$5,515 for total plan employee/employer contributions of \$14,700.

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.

Related-Party Investments

As of June 30, 2021, 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.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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, 2021, 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 \$4,284 at June 30, 2021, can be summarized as follows:

	<u>Town</u>	<u>Street & Alley</u>	<u>AMA</u>	<u>Total</u>
Vacation	\$ 2,340	\$ 0	\$ 1,944	\$ 4,284

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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, 2021.

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, 2021

	<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	118,261	118,261	118,261	-
Revenues:				
Taxes				
Sales tax	29,000	29,000	38,642	9,642
Use tax	25,000	25,000	47,045	22,045
Franchise tax	75,000	75,000	58,988	(16,012)
Cigarette tax	2,000	2,000	1,066	(934)
Total Taxes	<u>131,000</u>	<u>131,000</u>	<u>145,741</u>	<u>14,741</u>
Intergovernmental:				
Alcoholic beverage tax	20,000	20,000	32,650	12,650
Grants	0	0	265,641	265,641
Total Intergovernmental	<u>20,000</u>	<u>20,000</u>	<u>298,291</u>	<u>278,291</u>
Charges for services	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>
Fines and forfeitures				
Court Fines	<u>144,000</u>	<u>144,000</u>	<u>137,817</u>	<u>(6,183)</u>
Total Fines and Forfeitures	<u>144,000</u>	<u>144,000</u>	<u>137,817</u>	<u>(6,183)</u>
Licenses and Permits	<u>5,000</u>	<u>5,000</u>	<u>5,593</u>	<u>593</u>
Interest Income	<u>1,500</u>	<u>1,500</u>	<u>516</u>	<u>(984)</u>
Miscellaneous:				
Oil & Gas Royalties	100	100	33	(67)
Donations	400	400	895	495
Misc. Revenue	<u>24,500</u>	<u>24,500</u>	<u>8,685</u>	<u>(15,815)</u>
Total Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>9,613</u>	<u>(15,387)</u>
Other Financing Sources:				
Transfers from other funds	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>6,000</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>6,000</u>
Amounts available for appropriation	<u>444,761</u>	<u>444,761</u>	<u>721,838</u>	<u>277,077</u>

TOWN OF ARKOMA, OKLAHOMA

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
General Government				
Personal services	17,231	17,231	12,301	4,930
Materials and supplies	500	500	500	0
Other services and charges	7,000	7,000	6,027	973
Capital outlay	0	10,000	34,453	(24,453)
Total General Government	<u>24,731</u>	<u>34,731</u>	<u>53,281</u>	<u>(18,550)</u>
Police:				
Personal services	200,741	200,741	199,514	1,227
Materials and supplies	16,100	16,100	14,161	1,939
Other services and charges	44,400	50,900	53,423	(2,523)
Capital outlay	5,000	5,000	53,490	(48,490)
Total Police	<u>266,241</u>	<u>272,741</u>	<u>320,588</u>	<u>(47,847)</u>
Library:				
Materials and supplies	200	200	0	200
Other services and charges	800	800	857	(57)
Total Library	<u>1,000</u>	<u>1,000</u>	<u>857</u>	<u>143</u>
General Emergency Management:				
Materials and supplies	0	0	0	0
Other services and charges	500	500	0	500
Capital outlay	0	0	0	0
Total General Emergency Management	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
Other Financing Sources:				
Transfers to other funds	0	0	174,470	174,470
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>174,470</u>	<u>174,470</u>
Total Charges to Appropriations	292,472	308,972	549,196	(240,224)
Ending Budgetary Fund Balance	<u>152,289</u>	<u>135,789</u>	<u>172,642</u>	<u>36,853</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SPECIAL REVENUE FUNDS				
STREET AND ALLEY				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	358,909	358,909	358,909	0
Resources (Inflows):				
Taxes	29,000	29,000	38,642	9,642
Intergovernmental	15,500	15,500	19,136	3,636
Interest	3,000	3,000	736	(2,264)
Miscellaneous	0	0	0	0
Amounts available for appropriation	<u>406,409</u>	<u>406,409</u>	<u>417,423</u>	<u>11,014</u>
Charges to appropriations (Outflows):				
Street:				
Personal services	26,109	26,109	26,687	(578)
Materials and supplies	11,400	11,400	9,491	1,909
Other services and charges	13,800	13,800	12,770	1,030
Capital outlay	10,000	100,000	0	100,000
Total Street	<u>61,309</u>	<u>151,309</u>	<u>48,948</u>	<u>102,361</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	61,309	151,309	48,948	102,361
Ending Budgetary Fund Balance	<u>345,100</u>	<u>255,100</u>	<u>368,475</u>	<u>113,375</u>

SPECIAL REVENUE FUNDS				
FIRE				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	72,153	72,153	72,153	0
Resources (Inflows):				
Taxes	29,000	29,000	38,643	9,643
Intergovernmental	0	0	4,826	4,826
Charges for services	500	500	250	(250)
Interest	200	200	107	(93)
Miscellaneous	4,000	4,000	387	(3,613)
Amounts available for appropriation	<u>105,853</u>	<u>105,853</u>	<u>116,366</u>	<u>10,513</u>
Charges to appropriations (Outflows):				
Fire:				
Personal services	15,909	15,909	8,140	7,769
Materials and supplies	4,000	6,500	2,461	4,039
Other services and charges	9,000	16,100	10,640	5,460
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>39,190</u>	<u>22,319</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	45,190	16,319
Ending Budgetary Fund Balance	<u>58,944</u>	<u>44,344</u>	<u>71,176</u>	<u>26,832</u>

TOWN OF ARKOMA, OKLAHOMA

NOTES TO BUDGETARY COMPARISON SCHEDULE JUNE 30, 2021

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, 2021**

SPECIAL REVENUE FUNDS

	<u>CDGB Grant Fund</u>
ASSETS	
Cash and cash equivalents	<u>0</u>
Total Assets	<u><u>0</u></u>
 FUND BALANCES	
Unreserved, reported in nonmajor special revenue funds	<u><u>0</u></u>

TOWN OF ARKOMA, OKLAHOMA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

To the Board of Trustees
Town of Arkoma, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arkoma, Oklahoma, as of and for the year ended June 30, 2021, 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 my report thereon dated November 10, 2022.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Arkoma's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing my 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, I 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 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

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material weakness, yet important enough to merit attention by those charged with governance.

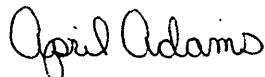
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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, I 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



April Adams CPA PLLC
Ponca City, Oklahoma

November 10, 2022