

TOWN OF WEST SILOAM SPRINGS

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2022

AUDITED BY:

Robert St. Pierre CPA, PC
Certified Public Accountant
1113 North Second St.
Stilwell, Oklahoma 74960

TOWN OF WEST SILOAM SPRINGS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of West Siloam Springs
Colcord, Oklahoma

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the Town of West Siloam Springs (the "Town"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of West Siloam Springs' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of West Siloam Springs as of June 30, 2022, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter—Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2022, on our consideration of the Town of West Siloam Springs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of West Siloam Springs' internal control over financial reporting and compliance

Robert St. Pierre

Robert St. Pierre C.P.A., P.C.
Stilwell, Oklahoma
August 12, 2022

TOWN OF WEST SILOAM SPRINGS
GOVERNMENT WIDE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
For the Year Ended June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash, including time deposits	\$ 1,054,169	\$ 577,349	\$ 1,631,518
Total current assets	1,054,169	577,349	1,631,518
Noncurrent assets			
Restricted cash, utility deposits	-	39,863	39,863
Capital assets, net of accumulated depreciation (Note 3)	734,931	3,727,015	4,461,946
Total noncurrent assets	734,931	3,766,878	4,501,809
Total Assets	\$ 1,789,100	\$ 4,344,227	\$ 6,133,327
Liabilities			
Noncurrent liabilities			
Utility deposits	-	36,856	36,856
Total Liabilities	-	36,856	36,856
Total Liabilities	-	36,856	36,856
Net Position			
Net Investment in Capital Assets	734,931	3,727,015	4,461,946
Restricted	426,333	39,863	466,196
Unrestricted	627,836	540,493	1,168,329
Total Net Position	\$ 1,789,100	\$ 4,307,371	\$ 6,096,471

TOWN OF WEST SILOAM SPRINGS
GOVERNMENT WIDE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended June 30, 2022

Function / Program Activities	Program Revenues				Net (Expense) Revenue and Change in Net Assets		Total
	Expenses	Charges For Services	Operating Grant and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Government Activities:							
General	\$ 270,490	\$ 5,724	\$ 5,000	\$ 75,014	\$ (184,752)	\$ -	\$ (184,752)
Police	775,472	463	10,200	-	(764,809)	-	(764,809)
Dog Pound	791	-	-	-	(791)	-	(791)
Streets	96,210	-	-	-	(96,210)	-	(96,210)
EMS	251,811	-	-	-	(251,811)	-	(251,811)
Park	4,646	-	-	-	(4,646)	-	(4,646)
Total Governmental Activities	1,399,420	6,187	15,200	75,014	(1,303,019)	-	(1,303,019)
Business Type Activities							
Water and Sewer	1,017,171	921,312	-	194,626	-	98,767	98,767
Total Business Type Activities	1,017,171	921,312	-	194,626	-	98,767	98,767
Total	\$ 2,416,591	\$ 927,499	\$ 15,200	\$ 269,640	\$ (1,303,019)	\$ 98,767	\$ (1,204,252)

Sales Tax	\$ 966,095
Use Tax	77,019
Gas Excise Tax	1,746
Commercial Vehicle Tax	7,027
Cigarette & Tobacco Tax	7,379
Franchise Tax	7,688
Alcoholic Beverage Tax	17,900
Hotel Tax	19,757
Fines	463,712
Other	315,000

Total General Revenues	1,883,323
Transfers & Other Financing Sources	(203,388)
Total General Revenues & Transfers	1,679,935

Change in Net Position Govt Funds	376,916	-	376,916
Change in Net Position Business Ty	-	302,155	302,155
Net Position Beginning of Year	1,412,184	4,005,216	5,417,400
			-
Net Position End of Year	\$ 1,789,100	\$ 4,307,371	\$ 6,096,471

TOWN OF WEST SILOAM SPRINGS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General	EMS	Street Fund	Other Funds	Total Government Funds
Assets					
Cash	\$ 233,597	\$ 394,239	\$ 422,098	\$ 4,235	\$ 1,054,169
Total Assets	<u>\$ 233,597</u>	<u>\$ 394,239</u>	<u>\$ 422,098</u>	<u>\$ 4,235</u>	<u>\$ 1,054,169</u>
Liabilities and Fund Balances					
Liabilities					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Other Current	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
General Fund Unreserved	233,597	394,239	-	-	627,836
Special Revenue Restricted	-	-	422,098	4,235	426,333
Total Fund Balances	<u>233,597</u>	<u>394,239</u>	<u>422,098</u>	<u>4,235</u>	<u>1,054,169</u>
Total Liabilities and Fund Balance	<u>\$ 233,597</u>	<u>\$ 394,239</u>	<u>\$ 422,098</u>	<u>\$ 4,235</u>	<u>\$ 1,054,169</u>

TOWN OF WEST SILOAM SPRINGS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
MODIFIED CASH BASIS
For the Year Ended June 30, 2022

Fund balances--total governmental funds	<u>\$ 1,054,169</u>
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

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

Land	95,665
Buildings	267,082
Equipment	352,946
Vehicles	552,523
Infrastructure	1,227,540
Accumulated Depreciation	(1,760,825)
	<u>734,931</u>

Short-term and long-term liabilities of capital lease of police cars are not reported as liabilities in fund financial statements	<u>-</u>
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Net Assets of Governmental Activities	<u><u>\$ 1,789,100</u></u>
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TOWN OF WEST SILOAM SPRINGS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	EMS Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Sales tax	\$ 966,096	\$ -	\$ -	\$ -	\$ 966,096
Use Tax	77,019	-	-	-	77,019
Franchise Fees	12,223	-	-	-	12,223
Commercial vehicle tax	-	-	1,746	-	1,746
Occupational Licenses	17,900	-	-	-	17,900
Alcohol and cigarette tax	27,445	-	-	-	27,445
Gasoline Tax	-	-	7,027	-	7,027
Hotel tax	29,974	-	-	-	29,974
Fines and fees	464,784	-	-	-	464,784
Proceeds from the sale of assets	68,278	-	-	-	68,278
Miscellaneous	43,127	-	312	-	43,439
Total revenues	<u>1,706,846</u>	<u>-</u>	<u>9,085</u>	<u>-</u>	<u>1,715,931</u>
Expenditures					
Current					
General government					
General Government	542,527	251,811	-	-	794,338
Public Safety (Police, Fire)	816,758	-	-	-	816,758
Water, sewer, streets	-	-	25,488	-	25,488
Culture and recreation	-	-	-	23,164	23,164
Capital outlay	-	-	-	-	-
Total expenditures	<u>1,359,285</u>	<u>251,811</u>	<u>25,488</u>	<u>23,164</u>	<u>1,659,748</u>
Excess (deficiency) of revenues over expenditures	<u>347,561</u>	<u>(251,811)</u>	<u>(16,403)</u>	<u>(23,164)</u>	<u>56,183</u>
Other financing sources (uses)					
Grant Cherokee Nation	85,581	132,000	-	-	217,581
ARPA Grant Funds	75,014	-	-	-	75,014
Transfers (net)	<u>(359,632)</u>	<u>203,389</u>	<u>156,243</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	(199,037)	335,389	156,243	-	292,595
Net change in fund balances	148,524	83,578	139,840	(23,164)	348,778
Fund balances - Beginning	<u>85,073</u>	<u>310,661</u>	<u>282,258</u>	<u>27,399</u>	<u>705,391</u>
Fund balances - Ending	<u>\$ 233,597</u>	<u>\$ 394,239</u>	<u>\$ 422,098</u>	<u>\$ 4,235</u>	<u>\$ 1,054,169</u>

TOWN OF WEST SILOAM SPRINGS
RECONCILIATION OF GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE GOVERNMENT WIDE STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
For the Year Ended June 30, 2022

Net Change in Fund Balances - Governmental Funds **\$ 348,778**

Amounts Reported for Governmental Activities in the
Statement of Activities are different because:

Capital Purchases decrease Fund Balances 147,011
but do not affect the Statement of Activities

Depreciation does not affect Funds Balances (147,026)
but does affect the Statement of Activities

Gross Proceeds on Sale of Assets (68,278)

Gain over Adjusted Basis Increases Net Assets 25,429
but not Fund Balances

Capital Lease Principal Payments Decrease Fund Balances 70,955
but is not Expense for Statement of Activities

Other Adjustments 47

\$ 376,916

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
MODIFIED CASH BASIS
For the Year Ended June 30, 2022

Business Type Activities - Enterprise Fund	Public Works Authority
Assets	
Current assets	
Cash and cash equivalents	\$ 577,349
Restricted Cash Meter Deposits	39,863
Due From General Fund	-
Total current assets	<u>617,212</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>3,727,015</u>
Total noncurrent assets	<u>3,727,015</u>
Total assets	<u><u>\$ 4,344,227</u></u>
Liabilities	
Noncurrent liabilities	
Customer deposits	<u>\$ 36,856</u>
Total liabilities	<u>36,856</u>
Net position	
Invested in capital assets, net of related debt	3,727,015
Restricted Meter Deposits	39,863
Unrestricted	<u>540,493</u>
Total net position	<u><u>\$ 4,307,371</u></u>

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2022

Business Type Activities - Enterprise Funds	Public Works Authority
Operating Revenues	
Charges for services	
Water (net of refunds/adjustments)	\$ 568,326
Sewer	307,864
Miscellaneous & Adjustments	45,123
Total operating revenues	<u>921,313</u>
Operating Expenses	
Cost of Water & Sewer	470,222
Salaries and benefits	203,031
Legal and professional fees	41,366
Licenses and permits	1,130
Contract Labor	4,555
Trustee Fees	1,725
Material and supplies	31,696
Office Supplies	5,308
Bank Service Charge	3,670
Miscellaneous	1,293
Fuel	8,765
Water Testing	2,467
Repairs and maintenance	44,897
Travel and training	229
Telephone	5,300
Utilities	11,912
Depreciation	165,606
Total operating expenses	<u>1,003,172</u>
Net Operating income (loss)	<u>(81,859)</u>
Nonoperating revenues and expenses	
Designated sales tax	203,389
Other Grants	194,626
Cherokee Nation grants	-
Total nonoperating revenues and expenses	<u>398,015</u>
Other financing sources (uses)	
Transfers (net)	<u>(14,000)</u>
Change in net position	<u>302,156</u>
Net Position, Beginning	<u>4,005,215</u>
Net Position, Ending	<u>\$ 4,307,371</u>

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF OF CASH FLOWS-MODIFIED CASH BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2022

Cash Flows From Operating Activities

Receipts From Customers	\$ 921,313
Payments to Suppliers	(628,924)
Payments to Employees	(203,031)
Net Cash Provided (Used) by Operating Activities	<u>89,358</u>

Cash Flows From Capital and Related Financing Activities

Infrastructure	(296,366)
Construction in Progress	-
Net Cash Provided (Used) by Capital Related Activities	<u>(296,366)</u>

Cash Flows From Non Capital Related Financing Activities

Grant Funds	194,626
Designated Sales Tax	203,389
Loan to General Fund	<u>(14,002)</u>

Net Cash Flows from Non Capital Related Financing Activities

384,013

NET CHANGE IN CASH

177,005

CASH AT THE BEGINNING OF THE PERIOD

440,207

CASH AT THE END OF THE PERIOD

617,212

Reconciliation of Net Cash Provided (Used in) Operating Activities and Increase (Decrease) in Net Assets

Net Cash Provided (Used in) Operating Activities	(81,859)
Adjustments	
Depreciation	165,606
Reserve for refundable deposit	5,611
Total Adjustments	<u>171,217</u>
Operating Income	<u>\$ 89,358</u>

TOWN OF WEST SILOAM SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Note 1 - Summary of Significant Accounting Policies

The Town of West Siloam Springs (the "Town") accounting policies and financial statement presentation conform to the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The modified cash basis of accounting is based on the recording of cash and cash equivalents, and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles and are recommended by the Government Financial Officers Association (GFOA) small government annual financial report model. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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 accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received by not yet paid, and accrued expenses and liabilities, including pension liabilities) are not recorded in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted by GASB, the government-wide financial statements would be presented on the accrual basis of accounting, the governmental funds would utilize the accrual basis of accounting, and the proprietary funds would utilize the accrual basis of accounting.

The more significant accounting policies established in the modified cash basis of accounting and used by the Town as well as a further description of departures from governmental GAAP are discussed below.

A. Reporting Entity

The Town of West Siloam Springs (the "Town") was organized under the statutes of the State of Oklahoma. The Town operates under a town form of government and is governed by a five-member board of trustees. The trustees elect the mayor from their own body. The Town provides the following services: general government, public safety (fire and police), streets, public works (water, sewer, trash and animal control), judicial, public improvements, and planning and zoning for the geographical area organized as the Town of West Siloam Springs, Oklahoma.

These financial statements present the activities of the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

In evaluating how to define the Town of West Siloam Springs, Oklahoma for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in

evaluating potential component units is the scope of public service application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of revenues, expenses and changes in net position, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are normally prepared using the accrual basis of accounting but the Town of West Siloam Springs presentation is on a modified cash basis.

Government-wide Financial Statements - The statement of net position and the statement of revenues, expenses and changes in net position displays information about the Town as a whole. These statements include the financial activities of the primary government except fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net position presents the governmental and business-type activities at year-end on a modified cash basis. The statement of revenues, expenses and changes in net position presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the town segregates transactions related to certain Town functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of government and enterprise fund financial statements is on major funds, each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the town are organized and operated based on funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three types of funds, governmental, proprietary, and fiduciary. The Town does not have any fiduciary funds at year end.

Government Funds - are used to account for the government's general government activities. The Town of West Siloam Springs presents its governmental activities on the modified cash basis of accounting rather than generally accepted accounting principles (GAAP). GAAP requires that governmental fund types would use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under that basis of accounting, revenues would be recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. GAAP provides that all revenues

are available if they are collected within 60 days after year-end. For GAAP, expenditures would be recorded when the fund liability is incurred with certain exceptions (general long-term debt and certain compensated absences, claims and judgments). The Town of West Siloam Springs records governmental fund expenditures as they are paid rather than when the obligation is incurred and revenues when received.

Sales and use taxes, cigarette-taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the Town are susceptible to accrual under GAAP but are not recognized as revenue until received under the modified cash basis. Other receipts and taxes (franchise taxes, licenses, etc.) are recognized as revenue when received by the government.

Entitlements and shared revenue are recorded at the time of receipt. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the Town's major funds:

- General Fund — The General Fund is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Special Revenue Funds — Special Revenue Funds account for revenue sources that are either legally restricted to expenditures for specific purposes or designated to finance particular functions of the Town.

The reporting entity includes the following Special Revenue Funds:

<u>Fund</u>	<u>Brief Description</u>
Street & Alley	Maintain and Improve Streets
EMS Fund	Accounts for sales tax revenue received that are designated for voter approved purposes.

The Town's non-major general fund includes the Subsidy Pool Fund, the Drug Free Fund, and the Park Fund.

The Town's proprietary funds, the West Siloam Springs Public Works Authority (PWA) financial statements include water and sewer.

The Town does not have any fiduciary activities or internal service funds.

Proprietary Funds - Proprietary funds are classified as enterprise funds. For GAAP purposes these funds are generally accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned. and expenses are recorded at the time liabilities are incurred. In the Town's modified cash basis financial statements revenues are recorded when received and expenditures are recorded when paid with the exception of customer meter deposits which the Town-records as a modification to the cash basis of accounting.

West Siloam Springs Public Works Authority (PWA) — The West Siloam Springs Public Municipal Authority accounts for the operations of providing water works (water, sewer, and trash) to the Town residents.

C. Assets, Liabilities and Net Assets or Equity

Deposits and Investments - Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at their fair market value.

Restricted Cash - Certain funds are restricted for West Siloam Springs Public Works Authority customer deposit refunds.

Fair Value of Financial Instruments - The Town's financial instruments include cash and cash equivalents, and certain liabilities. The Town's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial statements approximates fair value because of the short maturity of these instruments.

Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventories - Inventories in both the governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

Receivables and Payables - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds."

Capital Assets The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government- Wide Statements - In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. The Town's policy is to capitalize all assets over \$5,000 and depreciate them on the Government Wide Statements.

Prior to July 1, 2003, governmental funds infrastructure assets were not capitalized. All current year infrastructure additions have been recorded at actual cost. The Town is not required to account for infrastructure assets acquired prior to July 1, 2003. Governmental fund infrastructure assets have not been recorded for the period prior to July 1, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Other improvements	20 years
Machinery, furniture, and equipment	7 years
Utility property and improvements	40 years
Vehicles	5 years

Fund Financial Statements - In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences - It is the Town's policy to permit employees to accumulate earned but unused vacation time. Full-time employees who have been employed continuously for at least one year are granted vacation benefits in varying amounts to specified maximums depending on the tenure with the Town. The Town has not accrued compensated absences because they are reporting their financial statements on the modified cash basis of accounting.

Long-Term Obligations - The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net of current assets) is considered a measure of "available spendable resources."

Governmental fund operating statement present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Equity Classifications

Government- Wide Statements

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

- a) Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund Balance is further classified as restricted and unrestricted. Proprietary fund equity is classified the same as in the government-wide statements.

Resource Use Policy

It is in the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the Town considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

Equity Classifications

Government- Wide Statements

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

- d) Net investment in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- e) Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- f) Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursement to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

Note 2 — Cash and Investments

The Town's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Cash and certificates of deposit held by the town are fully covered.

Custodial Credit Risk - At June 30, 2022, the Town held deposits of approximately \$1,632,024 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits the Town's investment portfolio to maturities of not more than two years.

Investment Credit Risk - The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- 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 deposits 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 SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

There were no CDs or investments at year end.

As of June 30, 2022, all of the Town's cash deposits were insured against loss either by FDIC insurance or collateralized with securities held by the pledging financial institutions trust department.

Note 3 — Property and Equipment

Capital Asset Activity - Governmental Type

Capital asset activity for governmental type activities for the year ended June 30, 2022, was as follows:

	6/30/2021	Additions	Disposals	6/30/2022
Land	\$ 95,665	\$ -	\$ -	\$ 95,665
Buildings	267,082	-	-	267,082
Equipment	340,396	12,551	-	352,947
Vehicles	510,582	169,226	(127,285)	552,523
Infrastructure	1,191,305	36,234	-	1,227,539
Total Property Plant and Equipment	2,405,030	218,011	(127,285)	2,495,756
Less: Accumulated Depreciation	(1,698,236)	(147,026)	84,437	(1,760,825)
Net Book Value	\$ 706,794	\$ 70,985	\$ (42,848)	\$ 734,931

Capital Asset Activity - Business Type

Capital asset activity for business type activities for the year ended June 30, 2022, was as follows:

	6/30/2021	Additions	Disposals	6/30/2022
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Shop Building	17,630	-	-	17,630
Equipment	466,584	-	-	466,584
Vehicles	147,951	-	-	147,951
Infrastructure	4,423,336	529,409	-	4,952,745
Construction in Progress	233,041	-	233,041	-
Total Property Plant and Equipment	5,289,542	529,409	233,041	5,585,910
Less: Accumulated Depreciation	(1,693,289)	(165,606)	-	(1,858,895)
Net Book Value	\$ 3,596,253	\$ 363,803	\$ 233,041	\$ 3,727,015

The Town's fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life, which is forty years for the water system, between seven and forty years for the lift station, and between five and seven years for office furniture and equipment. Expenditures for major renewals and betterments which extend the useful life of the fixed assets are capitalized. Expenditures for maintenance and repairs are expensed as incurred. It is the Town and PWA's policy to capitalize all fixed assets with a cost over \$5,000.

Note 4 — Restricted Assets

Utility Deposit — The reserve for utility deposits represents deposits for utilities by customers and is not refunded until the customer is no longer receiving utilities from the Public Works Authority, as required by statute. As of June 30, 2022, this fund was overfunded by \$3,007 over the utility deposits outstanding.

Note 5 — Subsequent Events

The Town has evaluated subsequent events through August 12, 2022, the date on which the financial statements were available to be issued and no additional disclosures were required.

Note 6 — Pension Plan

The Town of West Siloam Springs has a defined contribution plan thru the Oklahoma Municipal Retirement Fund for all full-time employees with at least 3 months service provided they are not covered under another plan. The plan calls for a 3% mandatory pre-tax contribution called Government Pick Up. Voluntary after-tax contributions are also allowed. Employer contributions vary based on the amount budgeted. Employees can direct how their money is invested.

Vesting is on a graduated scale over 5 years with 20% each year vesting to the employee. During fiscal year 2022, the Town contributed \$16,092 on behalf of employees.

TOWN OF WEST SILOAM SPRINGS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2022

Grantor / Pass- Through Grantor/ Program Title	CFDA Number	Contract Period	Funds Received	Contract Expenditures
US Department of Treasury				
Coronavirus State & Local Recovery Funds	21.027	4/1/2022 12/31/2026	\$ 75,014	\$ -
US Department Housing & Urban Development				
HUD Small Cities CDBG Program	14.228		130,626	130,626
TOTAL FEDERAL AWARDS			<u>205,640</u>	<u>130,626</u>
Grand Gateway Economic Development Association				
Rural Economic Action Plan (REAP) 055-WW-2020			50,000	50,000
Rural Economic Action Plan (REAP) CDBG CIP 19 17761			<u>14,000</u>	<u>14,000</u>
			475,280	325,252
TOTAL STATE AWARDS			<u>\$ 475,280</u>	<u>\$ 325,252</u>

This schedule is prepared on the modified cash basis of accounting.

ROBERT ST. PIERRE, C.P.A., P.C.

Certified Public Accountant

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Fax: (918) 696-4867

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

Honorable Mayor and Town Council
Town of West Siloam Springs
Colcord, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Siloam Springs (the "Town"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 12, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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

Robert St. Pierre

Robert St. Pierre C.P.A., P.C.
Stilwell, Oklahoma
August 12, 2022

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AUDITOR'S
REPORTS**

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