

TOWN OF WEBBERS FALLS, OKLAHOMA

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

For the Year Ended June 30, 2022

Audited By:

Robert St. Pierre, C.P.A., P.C.
Certified Public Accountant
1113 North Second St.
Stilwell, OK 74960

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INDEPENDENT

AUDITOR'S

REPORTS

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

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Webbers Falls
Webbers Falls, 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 Webbers Falls, Oklahoma (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 Webbers Falls, Oklahoma's 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 Webbers Falls, Oklahoma 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 Webbers Falls, Oklahoma, 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 Webbers Falls, Oklahoma's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the Town of Webbers Falls, Oklahoma's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **February 16, 2023**, on our consideration of the Town of Webbers Falls, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Webbers Falls, Oklahoma's internal control over financial reporting and compliance.

Very truly yours,

Robert St. Pierre

Robert St. Pierre C.P.A, P.C.
Stilwell, Oklahoma
February 16, 2023

GOVERNMENT-WIDE

FINANCIAL

STATEMENTS

TOWN OF WEBBERS FALLS, OKLAHOMA
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 and Cash Equivalents	\$ 751,324	\$ 255,967	\$ 1,007,291
Certificates of Deposit	12,920	-	12,920
Restricted Cash	609,441	58,627	668,068
TOTAL CURRENT ASSETS	1,373,685	314,594	1,688,279
NONCURRENT ASSETS:			
Capital Assets:			
Non-depreciable Assets	19,145	3,000	22,145
Depreciable	1,669,951	4,471,134	6,141,085
Total Capital Assets	1,689,096	4,474,134	6,163,230
Less: Accumulated Depreciation	(742,505)	(1,736,622)	(2,479,127)
TOTAL NONCURRENT ASSETS	946,591	2,737,512	3,684,103
TOTAL ASSETS	\$ 2,320,276	\$ 3,052,106	\$ 5,372,382
LIABILITIES:			
Payroll Liabilities	\$ 6,740	\$ 4,536	\$ 11,276
Current Portion of Non-Current Liabilities	42,456	17,113	59,569
TOTAL CURRENT LIABILITIES	49,196	21,649	70,845
Meter Deposits Payable	-	53,055	53,055
Non-Current Liabilities	95,048	134,510	229,558
TOTAL NON-CURRENT LIABILITIES	95,048	187,565	282,613
TOTAL LIABILITIES	144,244	209,214	353,458
NET POSITION:			
Invested in Capital Assets, Net of Related Debt	904,135	2,585,889	3,490,024
Restricted	609,441	58,627	668,068
Unrestricted	662,456	198,376	860,832
TOTAL NET POSITION	\$ 2,176,032	\$ 2,842,892	\$ 5,018,924

TOWN OF WEBBERS FALLS, OKLAHOMA
Government-Wide Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2022

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Total
		Changes for	Operating	Capital	Governmental	Business-		
		Services	Grants and	Grants and	Activities	Type		
			Contributions	Contributions		Activities		
Governmental Activities:								
General Government	\$ 218,893	\$ 14,495	\$ 79,507	\$ 70,597	\$ (54,294)	\$ -	\$ (54,294)	
Police	379,724	-	-	20,234	(359,490)	-	(359,490)	
Fire Department	187,218	-	-	3,742	(183,476)	-	(183,476)	
Street & Alley	72	-	-	3,746	3,674	-	3,674	
Total Governmental Activities	785,907	14,495	79,507	98,319	(593,586)		(593,586)	
Business-Type Activities:								
ECOWA	637,518	627,161	-	-	-	(10,357)	(10,357)	
Total Business-Type Activities	637,518	627,161	-	-	-	(10,357)	(10,357)	
Total	\$ 1,423,425	\$ 641,656	\$ 79,507	\$ 98,319	\$ (593,586)	\$ (10,357)	\$ (603,943)	

General Revenues

Sales and Use Tax	\$ 640,404	\$ -	\$ 640,404
Gas Excise Tax	685	-	685
Commercial Vehicle Tax	4,585	-	4,585
Franchise Tax	15,313	-	15,313
Alcoholic Beverage Tax	4,284	-	4,284
Cigarette Tax	4,681	-	4,681
Fines	250,482	-	250,482
Other	40,630	-	40,630

Total General Revenues

	961,064	-	961,064
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Transfers

Total General Revenues and Transfers

	(159,134)	177,945	18,811
	801,930	177,945	979,875

Changes in Net Position

	110,025	167,588	277,613
Prior Period Correction	20,759	-	-
Net Position, Beginning of Year	2,045,248	2,675,304	4,720,552
Net Position, End of Year	\$ 2,176,032	\$ 2,842,892	\$ 5,018,924

FUND

FINANCIAL

STATEMENTS

TOWN OF WEBBERS FALLS, OKLAHOMA
Balance Sheet - Governmental Funds - Modified Cash Basis
For the Year Ended June 30, 2022

	General	Special Revenue	Other Non-Major Funds	Total Government Funds
Assets:				
Cash	\$ 850,404	\$ 510,360	\$ 99,499	\$ 1,360,764
Certificate of Deposit	12,920	-	-	12,920
Total Assets	863,324	510,360	99,499	1,373,684
Liabilities and Fund Balances:				
Liabilities				
Payroll Liabilities	6,740	-	-	6,740
Total Liabilities	6,740	-	-	6,740
Fund Balances				
Assigned				
Police	92,249	-	-	92,249
Fire	78,318	-	-	78,318
Unassigned	586,936	-	-	586,936
Restricted			99,081	99,081
Street & Alley	-	510,360	-	510,360
Total Fund Balances	757,503	-	99,081	1,366,944
Total Liabilities and Fund Balances	\$ 764,243	\$ -	\$ 99,081	\$ 1,373,684

TOWN OF WEBBERS FALLS, OKLAHOMA
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds - Modified Cash Basis
For the Year Ended June 30, 2022

	General	Special Revenue	Other Non-Major Funds	Total Government Funds
Revenues				
Sales & Use Taxes	\$ 566,697	\$ 73,707	\$ -	\$ 640,404
Franchise Taxes	15,313	-	-	15,313
Alcoholic Beverage Tax	4,284	-	-	4,284
Cigarette Tax	4,681	-	-	4,681
Grants	79,507	-	-	79,507
Other	28,680	-	4,364	28,680
Gas Excise Tax	-	685	-	685
Commercial Vehicle Tax	4,585	-	-	4,585
Donations	11,950	-	3,600	11,950
Fines	250,482	-	-	250,482
Charges for Services	14,495	-	-	14,495
Total Revenues	980,674	74,392	7,964	1,055,066
Expenditures				
General Government	254,192	-	-	254,192
Police	379,724	-	-	379,724
Fire Department	187,218	-	-	187,218
Street & Alley	-	72	-	72
Total Expenditures	821,134	72	-	821,206
Excess (Deficiency) of Revenues Over Expenditures	159,540	74,320	7,964	233,860
Other Financing Sources and (Uses)				
Transfers Out	(177,945)	-	-	(177,945)
Total Other Financing Sources and (Uses)	(177,945)	-	-	(177,945)
Net Change in Fund Balances	(18,405)	74,320	7,964	55,915
Fund Balances--Beginning	874,989	436,040	91,535	1,311,029
Fund Balances--Ending	\$ 856,584	\$ 510,360	\$ 99,499	\$ 1,366,944

TOWN OF WEBBERS FALLS, OKLAHOMA
Reconciliation of the Balance Sheet of Governmental Funds
For the Year Ended June 30, 2022

Total Fund Balances--Governmental Funds	\$ 1,366,944
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Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$1,689,096 and the accumulated depreciation is \$742,505.	946,591
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Long-Term Liabilities are not due and payable in the current period and therefore are not reported in the government funds.	<u>(137,504)</u>
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Net Assets of Governmental Activities	<u><u>\$ 2,176,032</u></u>
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TOWN OF WEBBERS FALLS, OKLAHOMA
Reconciliation of the Governmental Funds Statement of Revenue
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds	\$	55,915
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Plus: Capital Acquisitions	180,751	
Less: Depreciation	(126,641)	
		54,110
Change in Net Assets of Governmental Activities	\$	110,025

PROPRIETARY FUND

FINANCIAL

STATEMENTS

TOWN OF WEBBERS FALLS, OKLAHOMA
Statement of Net Position - Proprietary Funds - Modified Cash Basis
EAST CENTRAL OKLAHOMA WATER AUTHORITY (ECOWA)
For the Year Ended June 30, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 255,967	
Certificate of Deposit	-	
Restricted Cash	<u>58,627</u>	
TOTAL CURRENT ASSETS		<u>314,594</u>

CAPITAL ASSETS

Land	3,000	
Original Cost, Fixed Assets	4,471,134	
<i>Less: Accumulated Depreciation</i>	<u>(1,736,622)</u>	
NET CAPITAL ASSETS		<u>2,737,512</u>

TOTAL ASSETS		<u><u>\$ 3,052,106</u></u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Payroll Taxes Payable	\$ 4,536	
Current Portion of Long Term Debt	<u>17,113</u>	
TOTAL CURRENT LIABILITIES		<u>21,649</u>

NONCURRENT LIABILITIES

Customer Meter Deposits	53,055	
Long Term Debt	<u>134,510</u>	
TOTAL NONCURRENT LAIBILITIES		<u>187,565</u>

TOTAL LIABILITIES		<u>209,214</u>
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NET POSITION

Invested in Capital Assets, Net of Related Debt	2,585,889	
Restricted	58,627	
Unrestricted	<u>198,376</u>	
TOTAL NET POSITION		<u>2,842,892</u>

TOTAL LIABILITIES AND NET POSITION		<u><u>\$ 3,052,106</u></u>
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TOWN OF WEBBERS FALLS, OKLAHOMA
Statement of Revenues, Expenditures and Change in Net Position -
Proprietary Funds - Modified Cash Basis
EAST CENTRAL OKLAHOMA WATER AUTHORITY (ECOWA)
For the Year Ended June 30, 2022

OPERATING REVENUES

Charges for Services	\$ 446,432	
Miscellaneous	23,931	
TOTAL OPERATING REVENUES		<u>\$ 470,363</u>

OPERATING EXPENSES

Payroll	\$ 148,482	
Payroll Taxes & Benefits	62,852	
Insurance	10,233	
Water Chemicals & Testing	38,928	
Fuel	12,054	
Bank Charges	4,361	
Licenses & Permits	1,182	
Office Supplies	3,473	
Postage	3,523	
Professional Fees	9,406	
Dues & Subscriptions	2,358	
Repairs and Maintenance	37,243	
Telephone	6,909	
Other Expenses	306	
Water Storage Right Fees	7,783	
Utilities	28,404	
Trash Payments to Town	76,883	
Supplies	38,730	
Depreciation	143,034	
TOTAL OPERATING EXPENSES		<u>636,144</u>

OPERATING INCOME (165,781)

NON-OPERATING REVENUE (EXPENSES)

Interest Income	63	
Grant Income	156,736	
Interest Expense	<u>(1,375)</u>	

TOTAL NON-OPERATING REVENUE (EXPENSES) 155,424

NET INCOME BEFORE TRANSFERS (10,357)

TRANSFERS

Transfers In	<u>177,945</u>	
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CHANGE IN NET POSITION 167,588

BEGINNING OF YEAR NET POSITION \$ 2,675,304

END OF YEAR NET POSITION \$ 2,842,892

TOWN OF WEBBERS FALLS, OKLAHOMA
Statement of Cash Flows - Proprietary Funds - Modified Cash Basis
EAST CENTRAL OKLAHOMA WATER AUTHORITY (ECOWA)
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 446,432	
Other Cash Receipts	23,931	
Cash Payments from Suppliers	(280,736)	
Cash Payments to Employees, Taxes and Benefits	(210,259)	
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>(20,632)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grant Income	156,736	
Transfers In Net of Transfers Out	177,945	
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES		<u>334,681</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Investment in Fixed Assets	(344,973)	
Proceeds from Long Term Debt & Leases	167,919	
Retirement of Long Term Debt & Leases	(48,497)	
Interest Expense	(1,375)	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES		<u>(226,926)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	64	
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>64</u>

CHANGE IN CASH AND CASH EQUIVALENTS

87,187

CASH AND CASH EQUIVALENTS - Beginning of Year

227,407

CASH AND CASH EQUIVALENTS - End of Year

\$ 314,594

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating Income	(165,781)	
Adjustments:		
Depreciation	143,034	
Net change in Assets and Liabilities		
Payroll Taxes Payable	1,075	
Customer Deposits Payable	1,040	
		<u>1,040</u>
Net Cash Provided by Operating Activities		<u><u>\$ (20,632)</u></u>

**FINANCIAL
STATEMENT
NOTES**

TOWN OF WEBBERS FALLS, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town of Webbers Falls, Oklahoma (the "Town"), is a municipality with a five-member Town Council comprised of the Mayor and four at large members. In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) which may or may not fall within the Town's oversight and control and, as such, be included within the Town's financial statements. Generally, component units are legally separate organizations for which the elected officials of the primary government are financially accountable.

The accompanying financial statements present the Town and its component unit (East Central Oklahoma Water Authority), an entity for which the government is considered financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the government's operations and so data from this unit is included as part of the reporting entity. The Town's Council members appoint the board of directors, set the budget, and approves all significant management issues. Separate financial statements of the Authority are not issued.

The financial statements of the Town are presented 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 (GAAP) established by the Governmental Accounting Standards Board (GASB). 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. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and related depreciation, where applicable
- long-term debt, where applicable
- utility deposit liabilities
- certain payroll withholding and related payroll liabilities.

As a result of the use of this modified cash basis of accounting, certain assets, and their related revenues (accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and certain accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

B. Basis of Presentation

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

Government-Wide Financial Statements

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Currently, the Town has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column in the financial section of the basic financial statements.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions.

The Town reports the following major governmental funds:

- The general fund is the Town's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.
- The special revenue funds account for revenue sources that are legally restricted to expenditures. The special revenue funds consist of the street and alley fund and cemetery fund.

The Town reports the following major proprietary fund:

- The East Central Oklahoma Water Authority is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the Council has decided that periodic determination of

revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The East Central Oklahoma Water Authority for the Town of Webbers Falls, Oklahoma, consists of one fund - the water department.

C. Assets, Liabilities, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash balances from all funds are pooled and invested to the extent available in certificates of deposit. For purposes of the Statement of Cash Flows, the proprietary fund considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

	Years
Water Plant and Improvements	5-66
Automobiles	5
Equipment	3-10
Infrastructure	25-50
Buildings	5-40
Office Equipment	3-5
Land Improvements	5-20

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "advances to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" or "internal advances".

Meter Deposits

Customers are required to make a meter deposit before being connected to the water system. If the homeowner makes timely payments for twelve consecutive months their deposit is available for refund if requested. Otherwise, deposits are refundable to both homeowners and renters when the District no longer services the customer. The District uses the customer deposits to pay the

customer's final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

Compensated Absences

As a result of using the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. However, no accrual is necessary because employee's vacation and holiday leave does not vest or accumulate and sick leave is not normally paid without an illness related absence.

Net Position and Fund Balances

Government-Wide Statements:

Net position is displayed in three components:

- *Net investment in capital assets* - This component of net position 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that does not meet the definition of "restricted" or "net invested in capital assets".

The Town does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. Town personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of net position amounts, restricted resources are considered spent before unrestricted.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- *Non-spendable* - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town does not have any non-spendable amounts.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action

of the Town. The council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the council.

- Assigned - includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by council action or management decision when the Town council has delegated authority.
- Unassigned - all other spendable amounts.

The Town does not have a policy addressing whether it considers restricted, committed, or unassigned to have been spent when expenditures are incurred for purposes when restricted, committed and unassigned balances are available. Town personnel decide which resources to use at the time the expenditures are incurred. For classification of fund balance amounts, committed amounts would be reduced first, followed by assigned amounts and then unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

2. Stewardship, Compliance and Accountability

The Town utilizes the modified cash basis of accounting in the preparation of its budget. The budget data reflected in this report was taken from the budget formally enacted by the Town Council.

3. Deposits and Investments

Custodial Credit Risk

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

The Town's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds and letters of credit.

Cash and temporary investments are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured	\$ 500,000	\$ 500,000
Pledged with Letter of Credit	1,188,279	1,188,279
Total Cash & Temporary Investments	\$ 1,688,279	\$ 1,688,279

Reconciliation to the statement of net position:

	Town of Webbers Falls	ECOWA	Total
Cash and Cash Equivalents	\$ 751,324	\$ 255,967	\$ 1,007,291
Restricted Cash	609,441	58,627	668,068
Certificates of Deposit	12,920	-	12,920
Total Cash and Cash Equivalents	\$ 1,373,685	\$ 314,594	\$ 1,688,279

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The Town has no investment policy that limits investments based on maturity. The Town's certificate of deposit will mature within the next twelve months.

Investment Credit Risk

The Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U.S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipality or school district tax supported debt obligations, bond or revenue anticipation notes, money judgements, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market fund regulated by the SEC. At June 30, 2022, the Town's only investment is an insured certificate of deposit.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Town (any over 5% are disclosed). The Town has no investment policy regarding concentration of credit risk. At June 30, 2022, all of the Town's cash and investments were held in one financial institution.

4. Restricted Assets - Cash

Restricted cash represents amounts maintained in separate bank accounts for the purpose of segregating funds. Restricted cash consisted of the following:

	<u>Amount</u>
Governmental Activities:	
Street & Alley	\$ 510,360
Cemetery Care Fund	4,174
Fire Dept. Grant Fund	16,589
Fire Dept.	78,318
Business-Type Activities:	
Meter Deposits	26,348
OWRB Emergency Account	1,970
Debt Service Reserve	<u>30,309</u>
Total Restricted Cash	<u><u>\$ 668,068</u></u>

5. Changes in Capital Assets

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

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>
Capital Assets, not being depreciated				
Land	\$ 19,145	\$ -	\$ -	\$ 19,145
Construction in Progress	183,598	-	(183,598)	-
Total capital assets, not being depreciated	19,145	-	-	19,145
Capital Assets, being depreciated				
Automobiles	336,103	39,400	-	375,503
Equipment	411,022	9,784	-	420,806
Infrastructure	54,382	-	-	54,382
Buildings	331,107	315,166	-	646,273
Office Equipment	12,068	-	-	12,068
Land Improvements	160,919	-	-	160,919
Total Capital Assets being depreciated	1,305,601	364,350	-	1,669,951
<i>Less: Accumulated Depreciation:</i>				
Automobiles	83,647	68,117	-	151,764
Equipment	199,625	36,876	-	236,501
Infrastructure	17,831	2,029	-	19,860
Buildings	163,176	16,987	-	180,163
Office Equipment	7,676	1,165	-	8,841
Land Improvements	143,909	1,467	-	145,376
Total Accumulated Depreciation	615,864	126,641	-	742,505
Governmental Activities , Capital Assets, net	\$ 708,882	\$ 237,709	\$ -	\$ 946,591

Depreciation Expense

General Government	\$ 36,617
Police	32,433
Fire Department	<u>57,591</u>

Total Governmental Act. Depreciation Expense \$ 126,641

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

	July 1, 2021	Additions	Reductions	June 30, 2022
Capital Assets, not being depreciated				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Total capital assets not being depreciated	3,000	-	-	3,000
Capital Assets, being depreciated				
Water Plant & Improvements	3,063,963	401,743	-	3,465,706
Water Main River Cross	812,500	-	-	812,500
Automobiles	112,608	-	-	112,608
Equipment	64,415	-	-	64,415
Buildings	12,927	-	-	12,927
Office Equipment	2,978	-	-	2,978
Total Capital Assets being depreciated	4,069,391	401,743	-	4,471,134
Less Accumulated Depreciation:				
Water Plant & Improvements	1,434,381	102,423	-	1,536,804
Water Main River Cross	30,469	20,313	-	50,782
Automobiles	61,750	15,062	-	76,812
Equipment	11,322	509	-	57,709
Buildings	53,177	4,532	-	11,831
Office Equipment	2,489	195	-	2,684
Total Accumulated Depreciation	1,593,588	143,034	-	1,736,622
Business-Type Activities, Capital Assets, net	\$ 2,478,803	\$ 258,709	\$ -	\$ 2,737,512

Depreciation expense for business-type activities totaled \$143,034 and was entirely charged to the East Central Oklahoma Water Authority.

6. Capital Lease Obligations

The Town has three lease purchase agreements with Armstrong Bank to purchase a 2019 Mahindra tractor, two 2020 Dodge Durangos, and a 2020 Ford SuperCrew truck. The assets and liabilities under these capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lesser of the related lease terms or their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense ended June 30, 2022.

The following is a summary of equipment held under the capital leases:

2019 Mahindra Tractor	\$ 53,659
2 2020 Dodge Durangos	84,301
2020 Ford F-150 Supercrew	34,375
Less: Accumulated Amortization	(67,721)
Net Book Value	<u>\$ 104,614</u>

The interest rates on the capital leases range from 2.9% to 3.24%. Minimum future lease payments under capital leases are as follows:

The total future scheduled maturities of long-term debt are as follows:

Years ending June 30:

	PRINCIPAL	INTEREST
Current Portion	\$ 42,456	\$ 3,757
2024	43,823	2,389
2025	33,014	1,082
2026	11,200	379
2027	7,011	103
TOTAL	\$ 137,504	\$ 7,710

East Central Oklahoma Water Authority entered into a lease purchase agreement with Armstrong Bank on November 9, 2020 to purchase a 2020 Ford F-150 SuperCrew truck. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over the lesser of the related lease term or its estimated productive life. Amortization of assets under capital leases is included in depreciation expense ended June 30, 2022.

The following is a summary of equipment held under the capital lease:

2020 Ford F-150 Supercrew Truck	\$ 37,375
Less: Accumulated Amortization	(11,231)
Net Book Value	\$ 26,144

The interest rate on the capital lease is 2.9%

Minimum future lease payments under capital leases are as follows:

The total future scheduled maturities of long-term debt are as follows:

Years ending June 30:

	PRINCIPAL	INTEREST
Current Portion	\$ 9,362	\$ 571
2024	9,650	284
2025	4,092	31
TOTAL	\$ 23,104	\$ 886

East Central Oklahoma Water Authority received construction financing from the Clean Water State Revolving Fund administered through the Oklahoma Water Resources Board. The total amount of the loan is \$239,500 and at year end \$128,519. The funds are being used to finance the construction of the emergency water main river crossing.

7. Grants

The Town and ECOWA received grants from the following sources as of June 30, 2022:

	<u>Total</u>
Governmental Activities:	
District Attorney's Council	\$ 3,812
Attorney General's Safe Oklahoma Grant	15,000
American Rescue Plan Act	51,785
Forestry Grant	3,742
Cherokee Nation	14,500
	<hr/>
Total Governmental Activities Grants	\$ 88,839
	<hr/>
Business-Type Activities	
OWRB Debt Forgiveness	156,736
	<hr/>
Total Business-Type Activities Grants	\$ 156,736
	<hr/>

8. Interfund Transfers

Interfund transfers are used to fund operations in various accounts. The composition of interfund transfers as of June 30, 2022 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General	\$ -	\$ (177,945)
East Central Oklahoma Water Authority	177,945	-
	<hr/>	<hr/>
Totals	\$ 177,945	\$ (177,945)

9. Employee Retirement Systems and Plans

Oklahoma Municipal Retirement Fund - Defined Benefit Plan

Plan Description

The Town contributes to the OkMRF for all eligible employees. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF provides retirement, disability, and death benefits to plan members and their beneficiaries. The OkMRF plan issues a separate financial report and can be obtained from the OkMRF or their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Funding Policy

The Town Council has the authority to set and amend contributions rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The employer contribution rate was 2.01% for the fiscal year ending June 30, 2022. Contributory members were required to contribute 2.25% of gross wages to OkMRF.

The Town's contributions to the OkMRF for the year ended June 30, 2022 \$7,111, respectively, and were equal to 100% of the required contributions for each year.

10. Risk Management

The Town is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance along with policies through Oklahoma Municipal Assurance Group for risk of loss.

There has been no significant reduction in the Town's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Town's coverage in any of the prior three fiscal years.

11. Subsequent Events

The Town has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2022 through **February 16, 2023**, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

**SUPPLEMENTARY
INFORMATION**

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

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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

Honorable Mayor and Town Council
Town of Webbers Falls, Oklahoma
Webbers Falls, 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Webbers Falls, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Webbers Falls, Oklahoma's basic financial statements, and have issued our report thereon dated **February 16, 2023**.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Webbers Falls, Oklahoma'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 Town of Webbers Falls, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Webbers Falls, Oklahoma'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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-1 and 2022-2, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-1 and 2022-2.

Town of Webbers Falls, Oklahoma's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Webbers Falls, Oklahoma's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Town of Webbers Falls, Oklahoma's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Very Truly Yours,

Robert St. Pierre

Robert St. Pierre, C.P.A., P.C.
Stilwell, Oklahoma
February 16, 2023

TOWN OF WEBBERS FALLS, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

2022-1 Lack of Internal Control System and Segregation of Duties

Criteria: Municipalities should develop an adequate internal control system to prevent or detect material misstatement or fraud in a timely manner with oversight of municipal employees. A good system of internal controls will include proper segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Condition: The same employee maintains the general ledger, the utility billing system, performs reconciliations, and collects payments. There are no compensating procedures or controls to provide for oversight or review of those transactions.

Cause: The Town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without internal controls and segregation of duties, the risk significantly increases that errors or fraud related to billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: Management and the Town Council should consider a formal evaluation of their risks associated with this lack of duties segregation and establishing an adequate internal control structure for the Town.

Responsible Official's Response: The Town concurs with the recommendation and will strive to implement internal control procedures and compensating duties to help mitigate the risks associated with the lack of segregation of duties. This deficiency requires the Town Council to remain actively involved in the day-to-day activities of the Town.

Management's Response: Management's response to the lack of segregation of duties is to stay actively involved to help ensure that financial statements are free of material errors or fraud. Management also remains committed to staying actively involved in the financial matters of the organization and consulting with their auditors and their CPA consultant whenever needed.

2022-2 Lack of Reconciliation

Criteria: The reconciliation of the municipal billing system to the cash receipts reflected in the Town's financial statements is an essential internal control activity needed to adequately safeguard the Town's assets and ensure accurate financial reporting.

Condition: Presently, the municipal revenue is being recorded as cash receipts on the financial statements. However, the receipts are not reconciled back to the municipal billing system.

Cause: The Town's limited size and staffing resources have made it difficult for management to adequately reconcile these systems. In addition, the Municipal Office Manager has not been in the position for a significant period of time and was unaware of the need to perform this control.

Effect or Potential Effect: Without reconciliation of these items, the risk significantly increases that errors or fraud related to the collection and posting of monies, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: Management and the Town Council should consider a formal policy and procedure detailing the proper reconciliation of the municipal billing system to the cash deposits on a monthly basis.

Responsible Official's Response: The Town concurs with the recommendation and will strive to implement procedures to help mitigate the risks associated with the lack of reconciliation.