

Town of Francis, Oklahoma

**Financial Statements and Report
of Independent Accountants**

**As of and For the Year Ending
June 30, 2022**

Table of Contents

Independent Auditor's Report	1-3
Statement of Net Position - Modified Cash Basis	4
Statement of Activities - Modified Cash Basis	5
Fund Financial Statements	
Balance Sheet-Modified Cash Basis-Governmental Funds	6
Statement of Revenues, Expenditures and Changes in in Net Position-Modified Cash Basis-Governmental Funds	7
Statement of Net Position-Modified Cash Basis-Proprietary Fund	8
Statement of Revenues, Expenses, and Changes in Net Position-Modified Cash Basis-Proprietary Funds	9
Statement of Cash Flows-Modified Cash Basis-Proprietary Fund	10
Notes to the Basic Financial Statements	11-17
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18-19
Schedule of Findings and Responses	20

Russell & Williams CPA's, P.C.

Casey J. Russell, C.P.A., M.B.A.
Autumn L. Williams, C.P.A., Esq.
Member AICPA & OSCP

2812 NW 57th, Ste. 102
Oklahoma City, Oklahoma 73112

Phone: (405) 607-8743
Fax: (405) 607-8744
Email: caseycpa@hotmail.com

Independent Auditor's Report

To the Board of Trustees
Town of Francis, Oklahoma

Adverse and Unmodified 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 the aggregate remaining fund information of the Town of Francis, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Francis's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-type Activities	Unmodified
Governmental Fund	Unmodified

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the modified cash-basis financial position of the governmental activities of the Town of Francis, as of June 30, 2022, or the changes in modified cash-basis financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Business-type Activities, Aggregate Discretely Presented Component Units, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Francis, 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 accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Francis, 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 adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on Governmental Activities

As discussed in Note 1.C. to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and net position and change the expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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 Francis'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 Francis'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.

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2022, on our consideration of the Town of Francis'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 Francis's internal control over financial reporting and compliance.

Russell + William CPA's, P.C.

Oklahoma City, Oklahoma
October 5, 2022

Town of Francis
Statement of Net Position - Modified Cash Basis
As of June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash in bank	\$ 132,538.84	\$ 100,275.14	\$ 232,813.98
Restricted Cash	-	163,806.49	163,806.49
Total Current Assets	<u>132,538.84</u>	<u>264,081.63</u>	<u>396,620.47</u>
Noncurrent Assets:			
Net Capital Assets	-	1,283,002.51	1,283,002.51
Net Property and Equipment	<u>-</u>	<u>1,283,002.51</u>	<u>1,283,002.51</u>
TOTAL ASSETS	<u><u>\$ 132,538.84</u></u>	<u><u>\$ 1,547,084.14</u></u>	<u><u>\$ 1,679,622.98</u></u>
LIABILITIES			
Current Liabilities:			
Meter Deposits	-	20,770.00	20,770.00
Total Current Liabilities	<u>-</u>	<u>20,770.00</u>	<u>20,770.00</u>
Noncurrent Liabilities:			
Notes Payable	-	150,726.63	150,726.63
Total Long-Term Liabilities	<u>-</u>	<u>150,726.63</u>	<u>150,726.63</u>
Total Liabilities	<u><u>\$ -</u></u>	<u><u>\$ 171,496.63</u></u>	<u><u>\$ 171,496.63</u></u>
NET POSITION			
Invested in Capital Assets, net of related debt	\$ -	\$ 1,132,275.88	\$ 1,132,275.88
Restricted for Other Purposes	-	163,806.49	163,806.49
Net Assets - Unrestricted	<u>132,538.84</u>	<u>79,505.14</u>	<u>212,043.98</u>
Total Net Position	<u><u>132,538.84</u></u>	<u><u>1,375,587.51</u></u>	<u><u>1,508,126.35</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 132,538.84</u></u>	<u><u>\$ 1,547,084.14</u></u>	<u><u>\$ 1,679,622.98</u></u>

The accompanying notes are an integral part of these financial statements

Town of Francis
Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2022

Functions/Programs				Net (expense) revenue and		Total
				Changes in net assets		
		Program Revenues		Primary Government		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government						
Governmental Activities						
General Government	23,371.95	22.20	38,265.60	14,915.85	-	14,915.85
Fire Department	8,851.33	200.00	4,763.09	(3,888.24)	-	(3,888.24)
Street and Alley	3,840.48	-	-	(3,840.48)	-	(3,840.48)
Total Governmental Activities	<u>36,063.76</u>	<u>222.20</u>	<u>43,028.69</u>	<u>7,187.13</u>	<u>-</u>	<u>7,187.13</u>
Business-Type Activities						
Water Department	85,840.19	109,678.28	50,000.00	-	73,838.09	73,838.09
Sewer Department	-	30,426.37	-	-	30,426.37	30,426.37
Garbage Department	24,510.83	38,593.60	-	-	14,082.77	14,082.77
Total Business-Type Activities	<u>110,351.02</u>	<u>178,698.25</u>	<u>50,000.00</u>	<u>-</u>	<u>118,347.23</u>	<u>118,347.23</u>
Total Primary Government	<u>\$ 146,414.78</u>	<u>\$ 178,920.45</u>	<u>\$ 47,791.78</u>	<u>\$ 7,187.13</u>	<u>\$ 118,347.23</u>	<u>\$ 125,534.36</u>
		General Revenues				
		Sales Taxes		19,188.96	-	19,188.96
		Other Taxes		14,837.45	-	14,837.45
		Transfers In/Out		(44,454.06)	44,454.06	-
		Interest Income		84.76	41.24	126.00
		Total General Government Revenue		<u>(10,342.89)</u>	<u>44,495.30</u>	<u>34,152.41</u>
		Change in Net Position		<u>(3,155.76)</u>	<u>162,842.53</u>	<u>159,686.77</u>
		Net Position Beginning		<u>135,694.60</u>	<u>1,212,744.98</u>	<u>1,348,439.58</u>
		Net Position Ending		<u>\$ 132,538.84</u>	<u>\$ 1,375,587.51</u>	<u>\$ 1,508,126.35</u>

The accompanying notes are an integral part of these financial statements

Town of Francis
Balance Sheet - Modified Cash Basis
Governmental Funds
June 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Fund
ASSETS			
Cash in Bank - Unrestricted	\$ 113,894.96	\$ 18,643.88	\$ 132,538.84
Total Assets	<u>\$ 113,894.96</u>	<u>\$ 18,643.88</u>	<u>\$ 132,538.84</u>
LIABILITIES			
FUND BALANCES			
Unrestricted	\$ 113,894.96	\$ -	\$ 113,894.96
Assigned	<u>-</u>	<u>18,643.88</u>	<u>18,643.88</u>
TOTAL FUND BALANCES	<u>113,894.96</u>	<u>18,643.88</u>	<u>132,538.84</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 113,894.96</u>	<u>\$ 18,643.88</u>	<u>\$ 132,538.84</u>

***Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities - June 30, 2022***

Total Governmental Fund Balances	\$ 132,538.84
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	-
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>-</u>
Net Position of Governmental Activities	<u>\$ 132,538.84</u>

Town of Francis
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ending June 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Fund
Revenues			
Taxes	\$ 31,117.18	\$ 2,909.23	\$ 34,026.41
Interest	64.33	20.43	84.76
Grants	38,265.60	4,763.09	43,028.69
Other Revenues	22.20	200.00	222.20
Total Revenues	<u>69,469.31</u>	<u>7,892.75</u>	<u>77,362.06</u>
Expenditures			
Current Operations:			
General Government	23,371.95	-	23,371.95
Fire Department	-	8,851.33	8,851.33
Street Department	-	3,840.48	3,840.48
Total Expenses	<u>23,371.95</u>	<u>12,691.81</u>	<u>36,063.76</u>
Excess Revenues over (under) expenditures	<u>46,097.36</u>	<u>(4,799.06)</u>	<u>41,298.30</u>
Transfers in/out	(50,803.20)	6,349.14	(44,454.06)
Excess Revenues over (under) expenditures	(4,705.84)	1,550.08	(3,155.76)
Fund Balances at beginning of year	<u>118,600.80</u>	<u>17,093.80</u>	<u>135,694.60</u>
Fund Balances at ending of year	<u>\$ 113,894.96</u>	<u>\$ 18,643.88</u>	<u>\$ 132,538.84</u>

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
for the Year Ending June 30, 2022***

Net Change in fund balances-total governmental funds	(3,155.76)
Depreciation charged to governmental wide financial statements not recorded in the fund financial statements	-
Principal paid on long term debt recorded as an expense in the fund financial statements but as a reduction of debt in the the government wide financial statements	-
Capital expenditures records as reductions in net assets in the fund financial statements but capitalized as fixed assets in the governmental financial statements	<u>-</u>
Change in Net Position of governmental activities	<u>\$ (3,155.76)</u>

Town of Francis
Statement of Net Position - Modified Cash Basis
Proprietary Fund
As of June 30, 2022

	Public Works Authority
ASSETS	
Current Assets:	
Cash in Bank	\$ 100,275.14
Cash in Bank - Restricted	<u>163,806.49</u>
Total Current Assets	264,081.63
Noncurrent Assets	
Net Capital Assets	<u>1,283,002.51</u>
Total Noncurrent Assets	<u>1,283,002.51</u>
TOTAL ASSETS	<u>\$ 1,547,084.14</u>
LIABILITIES	
Current Liabilities:	
Meter Deposits	<u>20,770.00</u>
Total Current Liabilities	<u>20,770.00</u>
Noncurrent Liabilities	
Bonds and Notes	<u>150,726.63</u>
Total Noncurrent Liabilities	<u>150,726.63</u>
TOTAL LIABILITIES	<u>\$ 171,496.63</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,132,275.88
Restricted for Other Purposes	163,806.49
Unrestricted	<u>79,505.14</u>
TOTAL NET POSITION	<u>1,375,587.51</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,547,084.14</u>

The accompanying notes are an integral part of these financial statements

Town of Francis
Statement of Revenues, Expenses, and Changes in Net Postion - Modified Cash Basis
Proprietary Funds
For the Year Ending June 30, 2022

	Public Works Authority
Operating Revenues:	
Water Sales	\$ 109,678.28
Sewer Fees	30,426.37
Garbage Fees	38,593.60
Miscellaneous	-
Total Operating Revenues	<u>178,698.25</u>
Operating Expenses:	
Water Department	85,840.19
Garbage Department	24,510.83
Total Operating Expenses	<u>110,351.02</u>
Operating Income (Loss)	<u>\$ 68,347.23</u>
Non-operating revenues (expenses)	
Capital Grant	50,000.00
Tranfers In/Out	44,454.06
Interest Income	41.24
Net non-operating revenues (expenses)	<u>94,495.30</u>
Change in Net Position	<u>\$ 162,842.53</u>
Net Position, Beginning of Year	<u>1,212,744.98</u>
Net Position, End of Year	<u><u>\$ 1,375,587.51</u></u>

The accompanying notes are an integral part of these financial statements

Town of Francis
Statement of Cash Flows - Modified Cash Basis
Proprietary Fund
For the Year Ending June 30, 2022

	Public Works Authority
Cash flows from operating activities	
Receipts from customers	\$ 178,739.49
Transfers from General	44,454.06
Grants	50,000.00
Payments to suppliers	(80,554.99)
Payments to employees	(29,796.03)
Net cash provided by operating activities	<u>162,842.53</u>
Cash flows from capital and related financing activities	
Principal paid on long term debt	(21,286.75)
Net cash flows from capital and related financing activities	<u>(21,286.75)</u>
Cash flows from investing activities	
Fixed Asset Purchases during year	<u>-</u>
Net increase (decrease) in cash	141,555.78
Cash, Beginning of the Year	<u>122,525.85</u>
Cash, End of the Year	<u><u>\$ 264,081.63</u></u>
 <i>Reconcilement of change in net assets to net cash provided by operations:</i>	
Change in Net Assets	162,842.53
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in assets and liabilities:	
Accounts receivable	-
Accounts payable	-
Net cash provided by operating activities	<u><u>\$ 162,842.53</u></u>
 Cash-in-Bank Unrestricted	100,275.14
Restricted Cash	<u>163,806.49</u>
Total Cash	<u><u>\$ 264,081.63</u></u>

The accompanying notes are an integral part of these financial statements

Town of Francis, Oklahoma
Notes to the Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting, 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). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

1.A. FINANCIAL REPORTING ENTITY

The Town of Francis, Oklahoma is a statutory Town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, utilities and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2022, the Town has two component units, the Francis Public Works Authority and the Francis Facilities Authority.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS

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

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

The funds of the financial reporting entity are described subsequently:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of the specific revenue sources that are either restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds, all of which are reported as nonmajor funds: Street & Alley Fund and Fire Fund.

Proprietary Funds

Enterprise Fund

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

MEASUREMENT FOCUS

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

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

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These

funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

BASIS OF ACCOUNTING

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other 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.

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

1.D. FINANCIAL POSITION

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

INVESTMENTS

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

CAPITAL ASSETS

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements. As of June 30, 2022, the Town had expensed its capital expenditures as capital outlay instead of capitalizing these assets.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions or events are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions or events should be recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation should be provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

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

LONG-TERM DEBT

All long-term bonds, notes, and other debt arising from cash transactions or events to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

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

NET POSITION/FUND BALANCE CLASSIFICATIONS

Government-Wide Statements

Net Position is classified and displayed in three components:

1. *Net investment in capital assets.* Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. *Restricted.* Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

3. *Unrestricted.* Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Fund Financial Statements

Governmental Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

Nonspendable. Amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact.

Restricted. Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed. Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the Town's highest level of decision-making authority. (In the case of the Town of Example, commitments are evidenced by adoption of an ordinance by the Town Council.)

Assigned. Amounts constrained by the Town's intent to be used for specific purposes but that are neither restricted nor committed. (In the case of the Town of Example, assignments are evidenced either by resolution of the Town Council or by the Town Manager in written form as approved by vote of the Town Council pursuant to Town policy.)

Unassigned. The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

It is the Town's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also Town policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

The Town has no formal minimum fund balance policies or any formal stabilization arrangements in place.

Proprietary Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of proprietary funds is reported as net position and classified in the same manner as the government-wide financial statements, as previously described.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

In the Statement of Activities, modified cash-basis revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity: General Government, Streets, Fire, and Public Works.

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

OPERATING REVENUE AND EXPENSES

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

GASB 34 IMPLEMENTATION

The Town has implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of June 30, 2004.

1.G. USE OF ESTIMATES

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered material to the financial statements.

NOTE 3. DEPOSITS WITH FINANCIAL INSTITUTIONS

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Francis is considered a separate entity from the Francis Municipal Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Francis's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of \$250,000 for the governmental funds and \$250,000 for the Francis Development Corporation. The remaining funds would be category 3.

NOTE 4. DEBT

Francis Public Works Authority

As of June 30, 2022, the Francis Public Works Authority had two notes outstanding.

The first obligation has an outstanding balance of \$18,227 as of June 30, 2022. The loan is due to mature in April 2025 with zero interest. Payments are paid monthly in the amount of \$520.83 per month. Principal paid on this obligation for the year ending June 30, 2022 was \$6,250. Principal required to amortize this note till maturity is as follows:

	<u>Principal</u>		
2022/2023	6,250	Balance, Beginning of Year	\$ 24,998
2023/2024	6,250	Principal Paid During Year	<u>6,771</u>
2024/2025	5,727	Balance, End of Year	<u><u>\$ 18,227</u></u>
	<u><u>\$ 18,227</u></u>		

The second obligation has an outstanding balance of \$132,500 as of June 30, 2022. The original loan amount was \$172,465, is due to mature in December 2027 and carries an interest rate of 6%. Monthly payments are due in the amount of \$1,750 per month. Principal and interest paid on this obligation for the year ending June 30, 2022 was \$14,516 and \$6,484 respectively. Principal required to amortize this note till maturity is as follows:

	<u>Principal</u>	<u>Interest</u>		
2022/2023	13,191	7,809	Balance, Beginning of Year	\$ 147,016
2023/2024	14,005	6,995	Principal Paid During Year	<u>14,516</u>
2024/2025	14,868	6,132	Balance, End of Year	<u><u>\$ 132,500</u></u>
2025/2026	15,786	5,215		
2026/2027	16,759	4,241		
2027/2028	17,793	3,207		
2029/2031	40,099	3,094		
	<u><u>\$ 132,500</u></u>	<u><u>\$ 36,692</u></u>		

The water department was charged with \$6,484 of interest for the year. The sewer department was charged with \$-0- of interest for the year.

NOTE 5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 5, 2022, which is the date the financial statements were issued.

Russell & Williams CPA's, P.C.

Casey J. Russell, C.P.A., M.B.A.
Autumn L. Williams, C.P.A., Esq.
Member AICPA & OSCP

2812 NW 57th, Ste. 102
Oklahoma City, Oklahoma 73112

Phone: (405) 607-8743
Fax: (405) 607-8744
Email: caseycpa@hotmail.com

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

To the Board of Trustees
Town of Francis

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 accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Francis, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Francis's basic financial statements, and have issued our report thereon dated October 5, 2022.

The report was a special report on the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Francis's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Francis's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Francis'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. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2022-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Francis'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 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.

Russell + William CPAs, P.C.

Oklahoma City, Oklahoma
October 5, 2022

Schedule of Findings and Responses

2022 - 1 Lack of Segregation of Duties

Condition: During our review of the internal control structure, we noted that several procedures lack the control of having duties segregated. We understand that due to the size of the town and number of personnel, many aspects related to segregation of duties cannot be implemented. However, we noted that certain bank accounts required only one signature.

Criteria: We believe that internal control procedures would be strengthened by reviewing the individual tasks to determine whether internal control procedures could be improved.

Cause and effect: The cause is due to limited personnel and the full effect is unknown.

Recommendation: The town should implement a policy of not accepting cash payments at city hall. The town should also implement more internal controls by having more separation of duties. This could be done by having the personnel write receipts for all payments made regardless of type and then recording these payments on a daily payment ledger. All payments, receipts, and a copy of the daily receipt ledger should be given directly to the Treasurer at the end of the day. The town clerk or other personnel, except for the Treasurer, should then take the original daily payment ledger to record the payments in the system. Once all payments have been recorded in the system, the town clerk or other personnel should print off a payment listing from the system as well as a daily adjustment history to insure that no unnecessary adjustments have been made, the town clerk or other personnel should also prepare the deposit slip at this time and retain the carbon copy. These reports along with the original daily payment ledger and original of the deposit slip should be given to the Treasurer who should then compare the total payments and receipts written to the daily payment ledger, daily payment listing from system, and daily adjustment history. The Treasurer should then staple all documents together and give these back to the town clerk or other personnel. When the Treasurer returns from the bank she should give the bank deposit receipt to the town clerk or other personnel who should compare the receipt to the previous documents given to her by the Treasurer and also compare the carbon copy of the deposit slip to the bank deposit receipt. The town clerk or other personnel should then staple everything together and maintain for the audit files.

Management's Response: In many cases due to our limited resources, controls will be limited. However, the town will consider incorporating these recommendations.