

TOWN OF ARKOMA, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

TOWN OF ARKOMA, OKLAHOMA

TABLE OF CONTENTS

<u>Statement</u>	<u>Page</u>
LIST OF PRINCIPAL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-5
MANAGEMENT'S DISCUSSION AND ANALYSIS:	6-14
1. Statements of Net Position, Modified Cash Basis	15
2. Statements of Activities - Modified Cash Basis	16
3. Balance Sheet – Modified Cash Basis – Governmental Funds	17
4. Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis – Governmental Funds	18
5. Statements of Net Position- Modified Cash Basis - Proprietary Fund	19
6. Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis - Proprietary Fund	20
7. Statement of Cash Flows – Modified Cash Basis – Proprietary Fund	21
Notes to Financial Statements	22-42
SUPPLEMENTARY INFORMATION:	
8. Budgetary Comparison Schedule – Modified Cash Basis – General Fund	43-44
9. Budgetary Comparison Schedule – Modified Cash Basis – Special Revenue Fund	45
10. Notes to Budgetary Comparison Schedule – General Fund	46
REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS:	
13. 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	47-48

TOWN OF ARKOMA, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

Board of Trustees

Joshua Johnson	Mayor
Bobby Weatherford	Vice-Mayor
Cody Key	Member
Randy Gorman	Member
Thomas Leonard	Member

Town Clerk & Treasurer

Dottie Smith

Town Attorney

David Weatherford

April Adams CPA PLLC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Arkoma, Oklahoma

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arkoma, Oklahoma, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Arkoma's basic financial statements as listed in the table of contents.

In my opinion, the accompanying 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 and each major fund of the Town of Arkoma 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 modified cash basis of accounting described in Note 1.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Town of Arkoma, Oklahoma and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Emphasis of Matter - Basis of Accounting

I 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

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than accounting principles generally accepted in the United States of America. My opinion is not modified with 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 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

My 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 my opinion. 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 GAAS and *Government 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 GAAS, I

- 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

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on the effectiveness of the Town of Arkoma'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Arkoma's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Other Matters

Other Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 16, 2023, on my consideration of the Town of Arkoma's internal control over financial reporting and my tests of its

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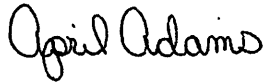
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compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Arkoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Arkoma's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

October 16, 2023

Town of Arkoma

P. O. BOX 277

ARKOMA, OKLAHOMA 74901

(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Arkoma's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2022, within the limitations of the Town's modified cash basis of accounting. Please read it in conjunction with the Town's financial statements that begin on page 14.

FINANCIAL HIGHLIGHTS

- The Town's total expenses exceeded total revenues, on the modified cash basis of accounting, by \$98,163 (*on page 15*) for the year, resulting in an increase in total net position of 3.70 percent under the previous year.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

Basis of Accounting

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

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

Reporting the Town as a Whole

The Town's Reporting Entity Presentation

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

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

The primary government includes the following legal entities:

- The Town of Arkoma
- Arkoma Municipal Authority

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

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

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

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

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

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

Reporting the Town's Most Significant Funds

The Fund Financial Statements

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

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

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

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

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

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

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

Net Position—Modified Cash Basis

TOWN OF ARKOMA'S NET POSITION						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	557,478	621,317	277,094	359,663	834,572	980,980
Capital Assets	<u>397,555</u>	<u>425,478</u>	<u>4,154,249</u>	<u>4,130,666</u>	<u>4,551,804</u>	<u>4,556,144</u>
Total Assets	<u>955,033</u>	<u>1,046,795</u>	<u>4,431,343</u>	<u>4,490,329</u>	<u>5,386,376</u>	<u>5,537,124</u>
Long term liabilities	18,480	14,567	2,733,176	2,779,857	2,751,656	2,794,424
Other liabilities	<u>7,438</u>	<u>9,084</u>	<u>72,565</u>	<u>80,796</u>	<u>80,003</u>	<u>89,880</u>
Total Liabilities	<u>25,918</u>	<u>23,651</u>	<u>2,805,741</u>	<u>2,860,653</u>	<u>2,831,659</u>	<u>2,884,304</u>
Net Position:						
Net investment in capital assets						
net of related debt	379,075	410,911	1,421,073	1,350,809	1,800,148	1,761,720
Restricted	428,093	439,651	124,370	136,802	552,463	576,453
Unrestricted	<u>121,947</u>	<u>172,642</u>	<u>80,099</u>	<u>153,766</u>	<u>202,046</u>	<u>326,408</u>
Total Net Position	<u>929,115</u>	<u>1,023,204</u>	<u>1,625,542</u>	<u>1,641,377</u>	<u>2,554,657</u>	<u>2,664,581</u>

The Town's combined net position, resulting from modified cash basis transactions, increased from approximately \$2,664,581 to \$2,554,657 between fiscal years 2021 and 2022. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had a decrease of \$94,089 and business-type activities decreased by \$4,074.

Net position of the Town's governmental activities decreased 9.20 percent to \$929,115. However, \$807,168 of those net position either are restricted as to the purposes they can be used for or are invested in capital assets. Consequently, unrestricted net position showed only \$121,947 at the end of this year. The net position of Town's business-type activities decreased to \$1,625,542. However, \$1,545,443 of the net position was restricted as to the purposes they can be used for or are invested in capital assets. Consequently, the unrestricted position was \$80,099 at the end of the year.

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

TOWN OF ARKOMA'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>2021</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	
Revenues:						
Program Revenues:						
Fees, fines and charges for services	99,047	143,666	1,013,991	935,101	1,113,038	1,078,767
Operating grants and contributions	195,470	270,467			195,470	270,467
General revenues:						
Sales tax	137,253	115,927			137,253	115,927
Use tax	42,825	47,045			42,825	47,045
Franchise tax	57,693	58,988			57,693	58,988
Cigarette tax	1,110	1,066			1,110	1,066
Intergovt. Revenue	41,060	51,786			41,060	51,786
Investment earnings	1,265	1,359	421	596	1,686	1,955
Gain (loss) on sale of assets	0	0	0	0	0	0
Miscellaneous	9,199	10,000			9,199	10,000
Total revenues	<u>584,922</u>	<u>700,304</u>	<u>1,014,412</u>	<u>935,697</u>	<u>1,599,334</u>	<u>1,636,001</u>
Expenses:						
General government and administration	25,835	24,411			25,835	24,411
Public safety	338,025	320,493			338,025	320,493
Transportation	95,139	56,679			95,139	56,679
Cultural and recreational	1,179	1,282			1,179	1,282
Interest on long term debt						
Water and Sewer			1,133,480	989,035	1,133,480	989,035
Sanitation			103,841	99,435	103,841	99,435
Total expenses	<u>460,177</u>	<u>402,865</u>	<u>1,237,321</u>	<u>1,088,470</u>	<u>1,697,498</u>	<u>1,491,335</u>
Increases in net position						
before transfers	124,746	297,441	(222,909)	(152,774)	(98,163)	144,666
Transfers	(218,835)	(176,531)	218,835	176,531		
Net position - July 1	<u>1,023,204</u>	<u>902,294</u>	<u>1,629,616</u>	<u>1,605,859</u>	<u>2,652,820</u>	<u>2,508,153</u>
Net position - June 30	<u>929,115</u>	<u>1,023,204</u>	<u>1,625,542</u>	<u>1,629,616</u>	<u>2,554,657</u>	<u>2,652,819</u>

Governmental Activities

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

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

For the year ended June 30, 2022, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$460,177. Of these total expenses, taxpayers and other general revenues funded \$71,570, while those directly benefiting from the program funded \$195,470 from grants and other contributions and \$99,047 from charges for services.

Business-Type Activities

The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements. The water and sewer service activities reported net revenues of \$(44,454) and \$(186,394) respectively. The water and sewer include interest expense of \$58,656 and the non-cash system depreciation of \$83,194 and \$67,902 respectively. The sanitation service is operated under private contract and the net revenue of \$7,518 is from a fee for billing and collection of the sanitation revenue along with the normal billing.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

- On the modified cash basis of accounting, the General Fund reported revenues and lease proceeds of \$495,166, net transfers of \$(215,835) and expenditures of \$330,026 resulting in a decrease in fund balance of \$50,695.
- On the modified cash basis of accounting, the Street and Alley reported a decrease in fund balance of \$25,426.
- On the modified cash basis of accounting, the Fire Fund reported an increase in fund balance of \$13,868.

General Fund Budgetary Highlights

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

For the year ended June 30, 2022, General Fund expenditures were \$210,369 over final appropriations, while actual resources available for appropriation were \$152,466 over the final budgeted amount.

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

CAPTIAL ASSET AND DEBT ADMINISTRATION

Capital Assets—Modified Cash Basis

At June 30, 2022, the Town had \$4,551,804 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. This represents a net decrease of \$4,341 or .10 percent, under last year.

This year's more significant capital assets additions include:

General Fund - Police - 2016 Ford Taurus	\$21,845
AMA - Sewer - 10 Force Main & 8" Gravity Sewer Line	174,959

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

	Governmental Activities		Business-type Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	10,000	10,000	16,000	16,000	26,000	26,000
Const. In Progress	0	0	0	0	0	0
Buildings	128,006	135,996	10,726	11,343	138,732	147,339
Equipment	165,578	185,194	10,017	12,928	175,595	198,122
Improvements	0	0	4,117,506	4,090,396	4,117,506	4,090,396
Infrastructure	93,971	94,288	0	0	93,971	94,288
Total	<u>397,555</u>	<u>425,478</u>	<u>4,154,249</u>	<u>4,130,667</u>	<u>4,551,804</u>	<u>4,556,145</u>

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

Long-Term Debt—Modified Cash Basis

At June 30, 2022, the Town as a whole had \$2,823,613 in long term debt arising from modified cash basis transactions compared to \$2,859,242 at June 30, 2021. At June 30, 2022, \$18,480 of the debt is related to governmental activities and \$2,805,133 related to business-type activities. (See table below).

Primary Government Long-Term Debt – Modified Cash Basis

	<u>2021</u>	<u>2022</u>
Governmental debt:		
Lease purchase to Welch St Bank	\$ 14,567	\$ -
Lease purchase to Central National Bank	-	18,480
Total business-type debt	<u>14,567</u>	<u>18,480</u>
Business-type debt:		
Refundable utility deposits	\$ 67,624	\$ 71,957
OWRB note payable	35,200	39,366
RUS note payable	<u>2,756,418</u>	<u>2,693,810</u>
Total business-type debt	<u>2,859,242</u>	<u>2,805,133</u>
Total all debt	<u>\$ 2,859,242</u>	<u>\$ 2,823,613</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected officials and staff considers many factors in setting the 2021-2022 budget, tax rates and service rates being the main sources and personal services and utility costs being the main uses of funds.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

TOWN OF ARKOMA, OKLAHOMA

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2022**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, and cash equivalents	\$557,418	\$272,837	\$830,255
Due from other Governments	60	4,257	4,317
Capital assets (Note 2.C.):			
Land and construction in progress	10,000	16,000	26,000
Other capital assets, net of accumulated depreciation	387,555	4,138,249	4,525,804
Loan application cost, net of accumulated amortization		0	0
Total assets	955,033	4,431,343	5,386,376
LIABILITIES			
Payroll taxes payable	2,683	608	3,291
Due to other governments	4,755	60	4,815
Refundable deposits		71,957	71,957
Long term liabilities (Note 2.D.)			
Due within one year	4,314	103,319	107,633
Due in more than one year	14,166	2,629,857	2,644,023
Total Liabilities	25,918	2,805,801	2,831,719
NET ASSETS			
Net investment in capital assets	379,075	1,421,073	1,800,148
Restricted for:			
Street and Alley	343,049		343,049
Fire Department	85,044		85,044
Debt service		91,086	91,086
		33,284	33,284
Unrestricted	121,947	80,099	202,046
Total Net Position	\$929,115	\$1,625,542	\$2,554,657

See accompanying notes to the basic financial statements.

TOWN OF ARKOMA, OKLAHOMA

STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities							
General Government	\$25,835	\$4,225	\$165,835		\$144,225		\$144,225
Total general government	25,835	4,225	165,835	0	144,225	0	144,225
Public Safety:							
Police	293,272	94,822	24,872		(173,578)		(173,578)
Fire	39,128		4,763		(34,365)		(34,365)
Animal Control	39				(39)		(39)
Emergency Management	5,586				(5,586)		(5,586)
Total Public safety	338,025	94,822	29,635	0	(213,568)	0	(213,568)
Transportation:							
Streets	95,139				(95,139)		(95,139)
Total transportation	95,139	0	0	0	(95,139)	0	(95,139)
Cultural, Parks and Recreation:							
Library	1,179				(1,179)		(1,179)
Total cultural, parks and recreation	1,179	0	0	0	(1,179)	0	(1,179)
Total governmental activities	460,177	99,047	195,470	0	(165,660)	0	(165,660)
Business-type activities:							
Water	455,412	410,957				(44,454)	(44,454)
Sewer	678,068	491,674				(186,394)	(186,394)
Sanitation	103,841	111,358				7,518	7,518
Total business-type activities	1,237,321	1,013,991	0	0	0	(223,330)	(223,330)
Total primary government	\$1,697,498	\$1,113,038	\$195,470	\$0	(\$165,660)	(\$223,330)	(\$388,990)
					Governmental	Business-Type	Total
					(\$165,660)	(\$223,330)	(\$388,990)
General revenues:							
Taxes:							
Sales Tax					137,253		137,253
Use Tax					42,825		42,825
Franchise and public service taxes					57,693		57,693
Cigarette Tax					1,110		1,110
Intergovernmental revenue not restricted to specific programs					41,060		41,060
Interest income					1,265	421	1,686
Gain (loss) on sale of assets					0		0
Miscellaneous					9,199		9,199
Transfers intenal activity					(218,835)	218,835	0
Total general revenues and transfers					71,570	219,256	290,826
					(94,089)	(4,074)	(98,163)
Net position-beginning					1,023,204	1,629,616	2,652,820
Net position- ending					\$929,115	\$1,625,542	\$2,554,657

See accompanying notes to the basic financial statements.

TOWN OF ARKOMA, OKLAHOMA

**BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS**

JUNE 30, 2022

	<u>General Fund</u>	<u>Street & Alley Fund</u>	<u>Fire Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash, and cash equivalents	\$131,707	\$342,203	\$83,508		557,418
Due from General Fund		807	1,541		2,348
Due from AMA		60			60
Total assets	<u>131,707</u>	<u>343,070</u>	<u>85,049</u>	<u>0</u>	<u>\$559,826</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll taxes payable	2,657	21	5		2,683
Due to other governments	498				498
Due to Street Fund	807				807
Due to Fire Fund	1,541				1,541
Due to AMA	4,257				4,257
Total Liabilities	<u>9,760</u>	<u>21</u>	<u>5</u>	<u>0</u>	<u>9,786</u>
Fund Balances:					
Restricted for:					
Street and Alley		343,049			343,049
Fire Department			85,044		85,044
Assigned					0
Unassigned	121,947				121,947
Total Fund Balances	<u>121,947</u>	<u>343,049</u>	<u>85,044</u>	<u>0</u>	<u>550,040</u>
Total Liabilities and Fund Balances	<u>\$131,707</u>	<u>\$343,070</u>	<u>\$85,049</u>	<u>\$0</u>	

Reconciliation to Statement of Net Position:

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

Capital assets used in governmental activities of \$ 1,827,541 net of accumulated depreciation of \$ 1,429,986 are not financial resources and, therefore, are not reported in funds	397,555
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(18,480)</u>
Net position of governmental activities	<u>\$929,115</u>

See accompanying notes to the financial statements.

TOWN OF ARKOMA, OKLAHOMA

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Street & Alley Fund	Fire Fund	Total Governmental Funds
Revenues:				
Taxes	147,379	45,751	45,751	238,881
Intergovernmental	216,449	15,318	4,763	236,530
Charges for services	0			0
Fines and forfeitures	94,822			94,822
Licenses and permits	4,225			4,225
Interest income	449	705	111	1,265
Miscellaneous	31,842	207	345	32,394
Total Revenues	495,166	61,981	50,970	608,117
Expenditures:				
Current:				
General Government:	18,911			18,911
Public Safety:				
Police	279,885			279,885
Fire			19,285	19,285
Emergency Management	3,469			3,469
Street and Public Works:				
Streets		87,407		87,407
Culture and Recreation:				
Library	754			754
Capital Outlay	21,845			21,845
Debt Service	5,162		14,817	19,979
Total Expenditures	330,026	87,407	34,102	451,535
Excess (deficiency) of revenues over expenditures	165,140	(25,426)	16,868	156,582
Other Financing Sources (Uses):				
Transfers in	3,000			3,000
Transfers out	(218,835)		(3,000)	(221,835)
Total Other Financing Sources (Uses)	(215,835)	0	(3,000)	(218,835)
Net change in fund balances	(50,695)	(25,426)	13,868	(62,253)
Fund balances - beginning	172,642	368,475	71,176	612,293
Fund balances - ending	121,947	343,049	85,044	550,040
Reconciliation to the Statement of Activities:				
Net change in fund balances -total governmental funds				(\$62,253)
Amounts reported for governmental activities in the Statement of Activities are different because:				
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:				
Capital asset purchases capitalized				21,845
Depreciation expense				(49,768)
Debt service principal payments are not considered expenditures in the governmental activities report				19,283
Lease proceeds are not considered expenditures in the governmental activities report				(23,195)
The net effect of various transactions involving capital assets (i.e. sales, trade ins, and contributions)				0
				(31,835)
Change in Net Position of Governmental Activities				(\$94,088)

See accompanying notes to the basic financial statements.

TOWN OF ARKOMA, OKLAHOMA

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND**

June 30, 2022

	Arkoma Municipal Authority
ASSETS	
Current Assets:	
Cash, and cash equivalents	\$76,510
Due from other governments	4,257
Total current assets	<u>80,767</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	196,327
Land and construction-in-progress	16,000
Other capital assets, net of accumulated depreciation	4,138,249
Total noncurrent assets	<u>4,350,576</u>
Total Assets	<u>4,431,343</u>
LIABILITIES	
Current Liabilities:	
Payroll taxes payable	608
Due to other governments	60
Notes payable - current portion	103,319
Total current liabilities	<u>103,987</u>
Noncurrent Liabilities:	
Refundable deposits	71,957
Notes payable - long-term portion	2,629,857
Total noncurrent liabilities	<u>2,701,814</u>
Total Liabilities	<u>2,805,801</u>
NET POSITION	
Net investment in capital assets	1,421,073
Restricted for debt service	91,086
Restricted for other purposes	33,785
Unrestricted	79,598
Total net position	<u>1,625,542</u>

See accompanying notes to combined financial statements.

TOWN OF ARKOMA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Arkoma Municipal Authority Enterprise Fund</u>
Operating Revenues:	
Charges for services:	
Water	\$396,471
Sewer	475,015
Sanitation	107,696
Penalties	24,514
Water & Sewer Taps	1,500
Reconnect Fees	4,919
Other	3,876
Total Operating Revenues	<u>1,013,991</u>
Operating Expenses:	
Administration/General	58,432
Water	289,789
Sewer	581,684
Sanitation	97,383
Depreciation	151,377
Amortization	0
Total Operating Expenses	<u>1,178,665</u>
Net Operating Income (Loss)	(164,674)
Non-Operating Revenue (Expense):	
Grant income	0
Investment income	421
Interest expense and fiscal agent fees	(58,656)
Total Non-Operating Revenue (Expense)	<u>(58,235)</u>
Net Income (Loss) Before Operating Transfers	(222,909)
Transfers In	<u>218,835</u>
Changes in net position	(4,074)
Total Net Position-Beginning	<u>1,629,616</u>
Total Net Position-Ending	<u>\$1,625,542</u>

See accompanying notes to combined financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Arkoma Municipal Authority Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$1,013,991
Payments to suppliers	(940,022)
Payments to employees	(87,266)
Receipts of customer utility deposits	19,285
Refunds of customer utility deposits	(14,952)
Net Cash Provided by Operating Activities	<u>(8,964)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Decrease in due from other funds	1,680
Decrease in payroll taxes payable	(803)
Transfers from other funds	218,835
Net Cash Provided (Used) by Operating Activities	<u>219,712</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Note proceeds	21,500
Purchases of capital assets	(174,959)
Principal paid on capital debt	(79,942)
Interest and fiscal agent fees paid on capital debt	(58,656)
Net Cash Used in Capital and Related Financing Activities	<u>(292,057)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	421
Net Cash Provided by Investing Activities	<u>421</u>
Net Increase in Cash and Cash Equivalents	(80,888)
Balance- beginning of the year	353,725
Balance- end of the year	<u>\$272,837</u>
Reconciliation of operating income (loss) to net cash provided	
by operating activities:	
Operating income (loss)	(\$164,674)
Adjustments to reconcile operating income to net cash provided	
(used) by operating activities:	
Depreciation expense	151,377
Change in assets and liabilities:	
Refundable deposits	4,333
Net cash provided by operating activities	<u>(8,964)</u>

See accompanying notes to combined financial statements.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Town are described below.

1.A. FINANCIAL REPORTING ENTITY

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

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

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

BLENDED COMPONENT UNIT

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

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

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Special Revenue Funds

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

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

Capital Project Funds

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

Proprietary Funds

Enterprise Fund

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

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

1.C. MEASUREMENT FOCUS ON BASIS OF ACCOUNTING

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

MEASUREMENT FOCUS

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

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

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

BASIS OF ACCOUNTING

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

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

BASIS OF ACCOUNTING, (Cont.)

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

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

CAPITAL ASSETS

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

Government-Wide Statements

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Government-Wide Statements, (Cont.)

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

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

Fund Financial Statements

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

LONG-TERM DEBT

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

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

EQUITY CLASSIFICATION

Government-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Government-Wide Statements, (Cont.)

- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

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

Fund Financial Statements

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

1. E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

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

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

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

OPERATING REVENUE AND EXPENSES

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

FUND FINANCIAL STATEMENTS

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (Cont.)

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

1.G. FUND EQUITY

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

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

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

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

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

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

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

1.H. USE OF STATEMENTS

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

NOTE 2. DETAIL NOTES—TRANSACTIONS CLASSES/ACCOUNTS

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

2.A. CASH AND INVESTMENTS

CUSTODIAL CREDIT RISK-DEPOSITS

The table presented below is designed to disclose the level of custodial credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2022. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

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

<i>Custody Credit Risk Category</i>		<u>Total Bank</u>			
<u>Type of Deposits</u>	<u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	
Insured deposits	250,000	250,000	-	-	
Uninsured deposits					
Collateralized	591,311	-	591,311	-	
Uncollateralized	-	-	-	-	
Total Deposits	841,311	250,000	591,311	-	Total Carrying Value
Petty Cash					<u>829,855</u>
					<u>400</u>
					<u>830,255</u>
<u>Reconciliation to Government-Wide Statements of Net Position:</u>					
					<u>830,255</u>
					<u>Cash and cash equivalents</u>

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

INVESTMENTS AND CUSTODIAL CREDIT RISK

Investments are limited by State law to the following:

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

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

2.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$66,850. Additionally, a certificate of deposit is held for debt service on the OWRB promissory note in the amount of \$15,000. Also, the amounts held to comply with the RUS water and sewer project debt service requirements are \$76,086 in the debt reserve account and \$38,391 in the short lived asset reserve account.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

2.C. CAPITAL ASSETS

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

	<u>Balance at July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2022</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	0	0	10,000
Total capital assets not being depreciated	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>10,000</u>
Other capital assets:				
Buildings	298,403		0	298,403
Vehicles	104,713	21,845	(31,552)	95,006
Machinery and equipment	886,843	0	0	886,843
Infrastructure	537,289	0	0	537,289
Total other capital assets at historical cost	<u>1,827,248</u>	<u>21,845</u>	<u>(31,552)</u>	<u>1,817,541</u>
Less accumulated depreciation for:				
Buildings	162,407	7,990	0	170,397
Vehicles	101,139	4,577	(31,552)	74,164
Machinery and equipment	705,223	36,884	0	742,107
Infrastructure	443,001	317	0	443,318
Total accumulated depreciation	<u>1,411,770</u>	<u>49,768</u>	<u>(31,552)</u>	<u>1,429,986</u>
Other capital assets, net	<u>415,478</u>	<u>(27,923)</u>	<u>0</u>	<u>387,555</u>
Governmental activities capital assets, net	<u>425,478</u>	<u>(27,923)</u>	<u>0</u>	<u>397,555</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	16,000	0	0	16,000
Construction-in-process	0	0	0	0
Total capital assets not being depreciated	<u>16,000</u>	<u>0</u>	<u>0</u>	<u>16,000</u>
Other capital assets:				
Buildings	22,370	0	0	22,370
Machinery and equipment	231,506	0	0	231,506
Utility property & improvements	7,954,196	174,959	0	8,129,155
Total other capital assets at historical cost	<u>8,208,072</u>	<u>174,959</u>	<u>0</u>	<u>8,383,031</u>
Less accumulated depreciation for:				
Buildings	11,027	617	0	11,644
Machinery and equipment	218,578	2,911	0	221,489
Utility property & improvements	3,863,800	147,849	0	4,011,649
Total accumulated depreciation	<u>4,093,405</u>	<u>151,377</u>	<u>0</u>	<u>4,244,782</u>
Other capital assets, net	<u>4,114,667</u>	<u>23,582</u>	<u>0</u>	<u>4,138,249</u>
Business-type activities capital assets, net	<u>4,130,667</u>	<u>23,582</u>	<u>0</u>	<u>4,154,249</u>

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

Primary Government	
Government Activities:	
General Government	6,923
Police	12,939
Fire	19,593
Street & Alley	7,731
Animal Control	39
Library	425
Emergency Management	2,118
Total depreciation expense for governmental activities	<u>49,768</u>
Business-Type Activities:	
Administration	280
Water	83,195
Sewer	67,902
Total depreciation expense for business-type activities	<u>151,377</u>

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

2.D. LONG-TERM DEBT

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

GOVERNMENTAL ACTIVITIES

Lease Purchase Obligations

As of June 30, 2022, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Lease purchase obligations due Central National Bank:	
4.59% interest with 5 annual payments of a principal and interest of 5,162 due April 1, 2026, secured by 2016 Ford Interceptor Sedan Taurus. Scheduled debt service payments to the General Fund Police.	<u>\$ 18,480</u>
Total Lease Purchases Outstanding	<u>\$ 18,480</u>
Current portion	\$ 4,314
Non-current portion	<u>14,166</u>
Total Notes Payable	<u>\$ 18,480</u>

BUSINESS-TYPE ACTIVITIES

As of June 30, 2022, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Notes Payable:

Promissory Note to the Oklahoma Water Resources Board in the amount of 500,000 with an interest to be determined prior to closing and a .5% administration fee. Interest and principal payments are due semiannually with a stated principal payment to be determined. The note proceeds are for sewer system improvements.	21,500
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TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

BUSINESS-TYPE ACTIVITIES, (Cont.)

Promissory Note to the Oklahoma Water Resources Board in the amount of 287,364 with a 2.495% interest and a .5% administration fee. Interest and principal payments are due semiannually with a stated principal payment of \$8,875 beginning September 15, 2003. The note proceeds are for sewer system improvements. 17,866

Note due to Rural Utilities Service Department of Agriculture in the amount of \$3,241,000. The note was completely funded on April 9, 2014. The note is for the purpose of providing a portion of the cost of acquiring and constructing of Arkoma Municipal Authority water and sewer improvements. The original principal amount of \$3,241,000 will have a fixed interest rate of 2.125% with 480 monthly payments of principal and interest of \$10,048 due June 2053. 2,693,810

Total Notes Payable Outstanding \$ 2,733,176

Current portion \$ 103,319

Non-current portion 2,629,857

Total Notes Payable \$ 2,733,176

Refundable Deposits:

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

Utility Deposits –Refundable \$ 71,957

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

Type of Debt	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amount Due Within One Year
Government Activities:					
Capital Debt Obligations	14,567	23,195	19,282	18,480	4,314
Business-Type Activities:					
Refundable Deposits	67,624	19,285	14,952	71,957	
Notes Payable	<u>2,791,618</u>	<u>21,500</u>	<u>79,942</u>	<u>2,733,176</u>	<u>103,319</u>
Total Business-Type Activities:	<u>2,873,809</u>	<u>63,980</u>	<u>114,176</u>	<u>2,823,613</u>	<u>107,633</u>

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except for refundable deposits, as of June 30, 2022, are as follows:

Year Ended June 30,	Capital Debt Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2023	4,313.71	848.22	103,318.95	56,963.98
2024	4,511.71	650.22	65,325.33	55,250.67
2025	4,718.80	443.13	66,727.10	53,848.90
2026	4,935.41	226.52	68,158.93	52,417.07
2027			69,621.51	50,954.49
2028-2032			371,168.41	231,711.59
2033-2037			412,737.62	190,142.38
2038-2042			458,962.25	143,917.75
2043-2047			510,363.89	92,516.11
2048-2052			567,522.29	35,357.71
2053			39,269.74	155.58
Total	<u>18,479.63</u>	<u>2,168.09</u>	<u>2,733,176.02</u>	<u>963,236.23</u>

DEBT SERVICE COVERAGE AND RESERVE REQUIREMENT

The Municipal Authority's OWRB Promissory Notes are collateralized by the revenue of the Arkoma Municipal Authority Water and Sewer System. The agreement OWRB contains provisions which require the Town to maintain pledged revenue, of at least 125% of the annual debt service and a debt reserve fund of 10% of the note balance. As of June 30, 2022, the Authority does not meet the debt service coverage percentage. The Authority's reserve balance for the OWRB debt is \$15,000 and does meet the promissory note requirement.

The Municipal Authority's RUS Promissory Notes are collateralized by the revenue of the Arkoma Municipal Authority Water and Sewer System. The Authority is required to set aside at least 10% of the annual debt service in a debt reserve account. The Authority is required to monthly deposit \$1,055 beginning January 2017 into the debt reserve until a balance of \$298,600 is reached. The Authority began the year with \$62,703 has added monthly deposits of \$13,315 and interest of \$68 and less expenditures of \$0 leaving an ending balance of \$76,086 in the debt reserve account as of June 30, 2022. The Authority is required to monthly deposit \$1,255 beginning April 2014 into a short lived asset reserve account until a balance of \$316,853 is reached. The Authority began the year with \$59,372 has added monthly deposits of \$13,805 and interest of \$39 less expenditures for replacement assets of \$34,825 leaving an ending balance of \$38,391 in the short lived asset reserve account as of June 30, 2022.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

2.E. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2022, were as follows:

MAJOR FUNDS:	TRANSFERS IN	TRANSFERS OUT
GENERAL:		
Fire Fund	\$ 3,000	\$ -
Arkoma Municipal Authority		218,835
Total General Fund	<u>3,000</u>	<u>218,835</u>
FIRE FUND:		
General Fund	-	3,000
Total Fire Fund	<u>-</u>	<u>3,000</u>
ARKOMA MUNICIPAL AUTHORITY:		
General Fund	\$ 218,835	
Total Arkoma Municipal Authority	<u>218,835</u>	<u>-</u>
GRAND TOTALS	<u><u>\$ 221,835</u></u>	<u><u>\$ 221,835</u></u>

INTERFUND BALANCES

At June 30, 2022, the General Fund owed the Street Fund \$807, the Fire Fund \$1,541 and the Arkoma Municipal Authority \$4,257 and the Arkoma Municipal Authority owed the Street Fund \$60.

NOTE 3. OTHER NOTES

3. A. GRANTS AND CONTRACTS

Oklahoma Municipal Assurance Group - The Town was awarded a \$24,872 grant from the Oklahoma Municipal Assurance Group for police equipment. These funds were expended and received in the 2021-22 fiscal year.

Oklahoma Office of Management and Enterprise Services - The Town was awarded a \$165,835 grant from the Oklahoma Office of Management and Enterprise Services for the American Rescue Plan Act. These funds were expended and received in the 2021-22 fiscal year.

Rural Fire Defense Grant - The Town received a grant of \$4,763 from the Oklahoma Department of Agriculture Forestry Services for fire calls.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

3.B. COUNTY FIRE DEPARTMENT SALES TAX REVENUE

The LeFlore County Board of Commissioners passed a resolution assessing a .25% sales tax for the benefit of the LeFlore County Fire Departments. The County began collecting the funds July 1, 2011 and remitting monthly into the funds designated by each County Fire Department and maintained under custody and control of the County Treasurer. In accordance with the resolution the funds can generally be used for construction and improvements, various approved equipment, fire training safety and education, and general maintenance and operation of the department. For the period beginning July 1, 2021 thru June 30, 2022 the Town of Arkoma Fire Department had a beginning balance of \$101,110.79 the department has been appropriated \$46,610.56 for its benefit and has expended \$13,254.60 leaving a balance of \$134,466.75 for future use. Funds requested must be used in accordance with County purchasing policies and procedures as outlined in the resolution.

3.C. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

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

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

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

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

Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Town's contribution rate (\$60 per volunteer)	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	20 years of service
Eligibility and benefits for distribution (full-time)	20 years credited service, 2 ½% of Final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested; at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited with continued service for a maximum of 30 or more years
Provisions for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Provisions for: Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes

Contributions and Trend Information

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

2022	\$ 844
2021	\$ 600
2020	\$ 900

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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

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

Agent Multiple-Employer, Defined Contribution Plan

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

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

The Town's total payroll in the fiscal year 2022 was \$296,534. The Town's contributions were calculated using the base salary amount of \$164,021. Both the Town and the covered employees made the required contribution of 3% and 1% respectively.

The employer required contributions from the current year wages amounted to \$4,600. The covered employees required contributions amounted to \$1,640 and additional voluntary contributions above the required 1% totaled \$5,045 for total plan employee/employer contributions of \$11,285.

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

Related-Party Investments

As of June 30, 2022, the System held no related-party investments of the Town or of its component units.

3.D. RISK MANAGEMENT

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

The Town manages these various risks of loss as follows:

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

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

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

3.E. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At June 30, 2022, the City had an unrecorded commitment for earned but unused vacation and compensatory time leave benefits that would require payment upon employee termination of service.

The compensated absences commitment of \$1,080 at June 30, 2022, can be summarized as follows:

	<u>Town</u>	<u>Street & Alley</u>	<u>AMA</u>	<u>Total</u>
Vacation	\$ 0	\$ 0	\$ 1,080	\$ 1,080

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

CONTINGENCIES

Grant Program Involvement

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

Litigation

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

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

3.F. SUBSEQUENT EVENTS

The Town did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2022.

SUPPLEMENTARY INFORMATION

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	172,642	172,642	172,642	-
Revenues:				
Taxes				
Sales tax	34,000	34,000	45,751	11,751
Use tax	35,000	35,000	42,825	7,825
Franchise tax	75,000	75,000	57,693	(17,307)
Cigarette tax	1,200	1,200	1,110	(90)
Total Taxes	<u>145,200</u>	<u>145,200</u>	<u>147,379</u>	<u>2,179</u>
Intergovernmental:				
Alcoholic beverage tax	25,000	25,000	25,742	742
Grants	0	0	190,707	190,707
Total Intergovernmental	<u>25,000</u>	<u>25,000</u>	<u>216,449</u>	<u>191,449</u>
Charges for services	0	0	0	0
Fines and forfeitures				
Court Fines	144,000	144,000	94,822	(49,178)
Total Fines and Forfeitures	<u>144,000</u>	<u>144,000</u>	<u>94,822</u>	<u>(49,178)</u>
Licenses and Permits	5,000	5,000	4,225	(775)
Interest Income	500	1,500	449	(1,051)
Miscellaneous:				
Oil & Gas Royalties	100	100	104	4
Lease Proceeds	0	0	23,195	23,195
Donations	400	400	1,589	1,189
Misc. Revenue	24,500	24,500	6,954	(17,546)
Total Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>31,842</u>	<u>6,842</u>
Other Financing Sources:				
Transfers from other funds	0	0	3,000	3,000
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>3,000</u>
Amounts available for appropriation	<u>517,342</u>	<u>518,342</u>	<u>670,808</u>	<u>152,466</u>

TOWN OF ARKOMA, OKLAHOMA

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
General Government				
Personal services	17,231	17,231	16,728	503
Materials and supplies	500	12,500	673	11,827
Other services and charges	7,000	7,000	1,510	5,490
Capital outlay	0	0	0	0
Total General Government	<u>24,731</u>	<u>36,731</u>	<u>18,911</u>	<u>17,820</u>
Police:				
Personal services	200,741	200,741	194,575	6,166
Materials and supplies	16,100	4,100	20,814	(16,714)
Other services and charges	57,400	57,400	64,496	(7,096)
Capital outlay	5,000	34,980	21,845	13,135
Debt service	0	0	5,162	(5,162)
Total Police	<u>279,241</u>	<u>297,221</u>	<u>306,892</u>	<u>(9,671)</u>
Library:				
Materials and supplies	200	200	0	200
Other services and charges	800	800	754	46
Total Library	<u>1,000</u>	<u>1,000</u>	<u>754</u>	<u>246</u>
General Emergency Management:				
Materials and supplies	0	3,040	2,608	432
Other services and charges	500	500	861	(361)
Capital outlay	0	0	0	0
Total General Emergency Management	<u>500</u>	<u>3,540</u>	<u>3,469</u>	<u>71</u>
Other Financing Sources:				
Transfers to other funds	0	0	218,835	218,835
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>218,835</u>	<u>218,835</u>
Total Charges to Appropriations	<u>305,472</u>	<u>338,492</u>	<u>548,861</u>	<u>(210,369)</u>
Ending Budgetary Fund Balance	<u>211,870</u>	<u>179,850</u>	<u>121,947</u>	<u>(57,903)</u>

TOWN OF ARKOMA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SPECIAL REVENUE FUNDS				
STREET AND ALLEY				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	368,475	368,475	368,475	0
Resources (Inflows):				
Taxes	29,000	29,000	45,751	16,751
Intergovernmental	16,000	16,000	15,318	(682)
Interest	1,000	0	705	705
Miscellaneous	0	1,000	207	(793)
Amounts available for appropriation	<u>414,475</u>	<u>414,475</u>	<u>430,456</u>	<u>15,981</u>
Charges to appropriations (Outflows):				
Street:				
Personal services	31,169	26,169	21,992	4,177
Materials and supplies	11,400	11,400	6,384	5,016
Other services and charges	13,800	28,800	59,031	(30,231)
Capital outlay	0	100,000	0	100,000
Total Street	<u>56,369</u>	<u>166,369</u>	<u>87,407</u>	<u>78,962</u>
Other Financing Uses:				
Transfers to other funds	0	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	56,369	166,369	87,407	78,962
Ending Budgetary Fund Balance	<u>358,106</u>	<u>248,106</u>	<u>343,049</u>	<u>94,943</u>

SPECIAL REVENUE FUNDS				
FIRE				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	71,176	71,176	71,176	0
Resources (Inflows):				
Taxes	32,000	32,000	45,751	13,751
Intergovernmental	0	0	4,763	4,763
Charges for services	500	500	0	(500)
Interest	500	500	111	(389)
Miscellaneous	4,500	4,500	345	(4,155)
Amounts available for appropriation	<u>108,676</u>	<u>108,676</u>	<u>122,146</u>	<u>13,470</u>
Charges to appropriations (Outflows):				
Fire:				
Personal services	15,909	15,909	8,736	7,173
Materials and supplies	9,000	9,000	4,480	4,520
Other services and charges	10,900	10,900	6,069	4,831
Capital outlay	0	0	0	0
Debt service	0	18,000	14,817	3,183
Total Fire	<u>35,809</u>	<u>53,809</u>	<u>34,102</u>	<u>19,707</u>
Other Financing Uses:				
Transfers to other funds	0	0	(3,000)	(3,000)
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>(3,000)</u>	<u>3,000</u>
Total Charges to Appropriations	35,809	53,809	37,102	16,707
Ending Budgetary Fund Balance	<u>72,867</u>	<u>54,867</u>	<u>85,044</u>	<u>30,177</u>

TOWN OF ARKOMA, OKLAHOMA

NOTES TO BUDGETARY COMPARISON SCHEDULE JUNE 30, 2022

Budget Law

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

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

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

Basis of Accounting

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

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

To the Board of Trustees
Town of Arkoma, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arkoma, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Arkoma, Oklahoma's basic financial statements, and have issued my report thereon dated October 16, 2023.

Internal Control Over Financial Reporting

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

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

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

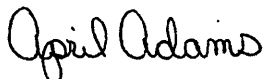
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Arkoma's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



April Adams CPA PLLC
Ponca City, Oklahoma

October 16, 2023