
THE TOWN OF WAKITA

**(Including the Wakita Utilities Authority and the Wakita Public Works
Authority)**

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Town of Wakita, Oklahoma

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter—Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards* we:

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

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

Other Matters


Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022, on our consideration of the Town of Wakita, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Wakita, Oklahoma'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 Wakita, Oklahoma's internal control over financial reporting and compliance.

 , C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
Norman, Oklahoma
November 15, 2022

THE TOWN OF WAKITA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total 2022
ASSETS			
Current Assets			
Cash and demand deposits	231,432	258,707	490,139
Certificates of deposit	113,249	55,854	169,103
Restricted cash and investments	141,210	77,222	218,432
Internal balances	4,270	(4,270)	0
Total current assets	490,161	387,513	877,674
Noncurrent Assets			
Depreciable property and equipment	2,366,738	2,616,150	4,982,888
Accumulated depreciation	(1,176,760)	(1,213,124)	(2,389,884)
Net depreciable property and equipment	1,189,978	1,403,026	2,593,004
Land	0	160,000	160,000
Total noncurrent assets	1,189,978	1,563,026	2,753,004
TOTAL ASSETS	1,680,139	1,950,539	3,630,678
LIABILITIES			
Current Liabilities			
Current portion of notes payable	0	6,921	6,921
Total current liabilities	0	6,921	6,921
Noncurrent Liabilities			
Meter deposits refundable	0	18,950	18,950
Notes payable, less current portion	0	299,835	299,835
Total noncurrent liabilities	0	318,785	318,785
TOTAL LIABILITIES	0	325,706	325,706
NET POSITION			
Net investment in capital assets	1,189,978	1,256,270	2,446,248
Restricted for:			
Fire department	131,400	0	131,400
Insurance	9,810		9,810
Debt	0	58,272	58,272
Unrestricted	348,951	310,291	659,242
TOTAL NET POSITION	\$1,680,139	\$1,624,833	\$3,304,972

The accompanying notes are an integral part of these financial statements

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total 2022
Governmental activities:							
General government	(79,987)	600	44,659	88,169	53,441		53,441
Fire department	(118,104)	0	49,289	0	(68,815)		(68,815)
Street department *	(42,344)	0	3,054	0	(39,290)		(39,290)
Total governmental activities	(240,435)	600	97,002	88,169	(54,664)	0	(54,664)
Business-type activities:							
Sewer department	(71,915)	42,736	0	0		(29,179)	(29,179)
Trash department	(30,847)	25,206	0	0		(5,641)	(5,641)
Water department **	(120,047)	89,749	0	0		(30,298)	(30,298)
Gas department	(154,121)	140,232	0	0		(13,889)	(13,889)
Ambulance service	(7,934)	7,579	0	0		(355)	(355)
Total business-type activities	(384,864)	305,502	0	0	0	(79,362)	(79,362)
Total all activities	(625,299)	306,102	97,002	88,169	(54,664)	(79,362)	(134,026)
General revenues:							
Taxes:							
Sales and use taxes					69,665	0	69,665
Franchise and public service taxes					8,788	0	8,788
Investment income					1,314	1,033	2,347
Intergovernmental revenues					20,279	0	20,279
Other revenues					1,895	5,136	7,031
Transfers					(104,360)	104,360	0
Total general revenues and transfers					(2,419)	110,529	108,110
Change in net position					(57,083)	31,167	(25,916)
Beginning net position					1,737,222	1,593,666	3,330,888
					\$1,680,139	\$1,624,833	\$3,304,972

* Interest expense of \$149 is
included in the street department

** Interest expense of \$10,088 is
included in the water department

The accompanying notes are an integral part of these financial statements

THE TOWN OF WAKITA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund
ASSETS	
Cash and demand deposits	231,432
Certificates of deposit	113,249
Restricted cash and investments	141,210
Due from other funds	4,270
TOTAL ASSETS	<u>490,161</u>

LIABILITIES	0
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FUND BALANCE

Restricted:	
County fire tax for fire department	131,400
Insurance reserves	9,810
Unrestricted:	
Unassigned	348,951
TOTAL FUND BALANCE	<u>490,161</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$490,161</u>

Reconciliation of fund balance to net position of
governmental activities:

Fund balance	490,161
Depreciable capital assets	2,366,738
Accumulated depreciation	<u>(1,176,760)</u>
Net position	<u>\$1,680,139</u>

The accompanying notes are an integral part of these financial statements

THE TOWN OF WAKITA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund
REVENUES	
Sales and use taxes	69,665
Franchise taxes	8,788
Shared taxes	63,049
Grants and contributions	142,402
Charges for services	600
Interest	1,314
Other revenues	1,894
TOTAL REVENUES	287,712
EXPENDITURES	
General government	45,014
Fire department	60,533
Street department	34,895
Debt service	4,650
Capital outlay	0
TOTAL EXPENDITURES	145,092
REVENUES OVER EXPENDITURES	142,620
OTHER FINANCING SOURCES (USES)	
Transfers-in (out)	(104,360)
NET OTHER FINANCING SOURCES (USES)	(104,360)
NET CHANGE IN FUND BALANCES	38,260
BEGINNING FUND BALANCE	451,901
ENDING FUND BALANCE	\$490,161
Reconciliation of net change in fund balance to change in net position of governmental activities:	
Net change in fund balances - total governmental funds	38,260
Depreciation expense	(99,844)
Principal payments on capital lease	4,501
Change in net position of governmental activities	(\$57,083)

The accompanying notes are an integral part of these financial statements

THE TOWN OF WAKITA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2022

	<u>Wakita</u> <u>Utilities</u> <u>Authority</u>
ASSETS	
Current Assets	
Cash and demand deposits	258,707
Certificates of deposit	55,854
Restricted cash and investments	<u>77,222</u>
Total current assets	391,783
Noncurrent Assets	
Depreciable property and equipment	2,616,150
Accumulated depreciation	<u>(1,213,124)</u>
Net depreciable property and equipment	1,403,026
Land	160,000
Total noncurrent assets	<u>1,563,026</u>
TOTAL ASSETS	<u><u>1,954,809</u></u>
LIABILITIES	
Current Liabilities	
Due to other funds	4,270
Current portion of notes payable	<u>6,921</u>
Total current liabilities	11,191
Noncurrent Liabilities	
Meter deposits refundable	18,950
Notes payable, less current portion	<u>299,835</u>
Total noncurrent liabilities	<u>318,785</u>
TOTAL LIABILITIES	<u>329,976</u>
NET POSITION	
Net investment in capital assets	1,256,270
Restricted for debt service	58,272
Unrestricted	<u>310,291</u>
TOTAL NET POSITION	<u><u>\$1,624,833</u></u>

The accompanying notes are an integral part of these financial statements

THE TOWN OF WAKITA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Wakita Utilities Authority
OPERATING REVENUES	
Sewer revenues	35,093
Trash revenues	25,206
Water revenues	89,749
Gas revenues	140,232
Ambulance revenues	7,579
Late fees	1,959
Sewer surcharge	7,643
Other income	3,177
TOTAL OPERATING REVENUES	310,638
OPERATING EXPENSES	
Sewer department	71,915
Trash department	30,847
Water department	109,959
Gas department	154,121
Ambulance department	7,934
TOTAL OPERATING EXPENSES	374,776
OPERATING INCOME (LOSS)	(64,138)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	1,033
Interest expense	(10,088)
NET NON-OPERATING REVENUES (EXPENSES)	(9,055)
INCOME BEFORE TRANSFERS	(73,193)
Transfers-in	104,360
CHANGE IN NET POSITION	31,167
BEGINNING NET POSITION	1,593,666
ENDING NET POSITION	<u>\$1,624,833</u>

The accompanying notes are an integral part of these financial statements

THE TOWN OF WAKITA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Wakita Utilities Authority
Cash flows from operations:	
Cash received from:	
Customers	307,461
Other operating receipts	3,177
Cash payments for:	
Goods and services	(213,414)
Employees	(80,802)
Net cash provided from operations	16,422
Cash flows from capital financing activities:	
Principal payments	(6,700)
Interest payments	(10,088)
Grants transferred from general fund	88,169
Purchases of capital assets	(115,168)
Net transfers from restricted accounts	(3,800)
Net cash from capital financing activities	(47,587)
Cash flows from non-capital financing activities:	
Net transfers from general fund	16,190
Cash flows from investing activities:	
Interest income	722
Net increase (decrease) in cash	(14,253)
Beginning cash	272,960
Ending cash	\$258,707
Reconciliation of income from operations	
to net cash from operations:	
Operating income (loss)	(64,138)
Adjustments to income from operations:	
Depreciation	73,333
Change in assets and liabilities:	
(Increase) decrease in due from other funds	4,880
Increase (decrease) in payables	(1,923)
Increase (decrease) in due to other funds	4,270
Net cash provided by operations	\$16,422
** Activity in debt service accounts:	
Beginning cash	54,472
Transfers from operating account	3,800
Ending cash	\$58,272

** Activity in debt service accounts is supplemental information.

The accompanying notes are an integral part of these financial statements

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2022

1. Summary of Significant Accounting Policies

1A. Introduction

The Town's financial statements are prepared using the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP in substance but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting. Generally, that means that only items arising from cash transactions are recorded. Accounts receivable and accounts payable, for instance, are not recorded.

1B. Financial Reporting Entity

The Town of Wakita (Town) operates under the Statutory Town Board of Trustees form of government and provides the following major services: public safety, streets, public improvements, planning and zoning, and general administration. In conformity with GASB-61, the financial statements of the following component unit have been included in the financial reporting entity as a blended component unit because its operating and financial relationship is significant to the town.

1B1. Blended Component Units

The Wakita Utilities Authority (WUA), an entity legally separate from the Town, is governed by the same board of trustees that governs the Town. For financial reporting purposes, the WUA is reported as if it were part of the Town's operations because its purpose is to finance and provide water, sewer, trash, and gas services to the citizens of the Town. The WUA does not present separate financial statements.

The Wakita Public Works Authority (PWA), an entity legally separate from the Town, is governed by the same board of trustees that governs the Town. For financial reporting purposes, the PWA is reported as if it were part of the Town's operations because its purpose was to finance construction of a community health center for the citizens of the Town. Since its purpose has been fulfilled, it is currently inactive. However, the building is currently leased to the James Dennis Medical Foundation (Community Health Center) in a contract that was renewed March 20, 2019 and expires June 30, 2029.

1C. Basis of Presentation

1C1. Fund Accounting

The Town uses fund accounting to maintain its financial records. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The Town's funds are organized into two categories: governmental and proprietary. Within these categories, funds are further defined as major or non-major. The

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2022

emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories as defined by GASB 34. The Town has one governmental fund and one business-type fund.

1C2. Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Measurement focus is a term used to describe which transactions are recorded.

1C2a. Modified Cash Basis of Accounting

The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP and is a modification of the pure cash basis of accounting. Professional standards define the cash basis of accounting *as a basis of accounting an entity uses to record cash receipts and disbursements, and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets.)* Although the modified cash basis of accounting is not separately defined by professional standards, the modifications to the cash basis have evolved over time through common practice, and generally result when cash receipts or disbursements provide a benefit or obligation covering multiple reporting periods, and the reporting of the cash transaction would be more meaningful to financial statement users if spread over those multiple periods.

For modifications to be considered to have substantial support, they should:

1. be made as a result of cash receipts or disbursements;
2. have substantial support in GAAP or other accounting literature; and
3. be logical.

1C3. Government-wide Financial Statements

The government-wide financial statements are highly aggregated financial statements that present financial information for all assets, deferred outflows, liabilities, deferred inflows, and net assets using the economic resources measurement focus within the limitations of the modified cash basis of accounting. This means that revenues are recorded when received and expenses, with the exception of capitalizing and depreciating capital assets, are recorded when paid. The government-wide financial statements required are the statement of net assets and the statement of activities. These financial statements are designed to help users assess the finances of a government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current year services. They are also designed to help users assess the cost of providing services to its citizenry; determine how the government finances its programs; understand the extent to which the government has invested in capital assets; and make better comparisons between governments.

1C4. Governmental Fund Financial Statements

The general fund of the Town is a governmental fund. The governmental fund financial statements focus primarily on the sources, uses, and balances of current financial resources. They are

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2022

presented using the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized when they are received, and expenditures are recorded when paid. The financial statements required for governmental funds are the balance sheet and the statement of revenues, expenditures, and changes in fund balance. The governmental fund balance sheet does not present capital assets or long-term liabilities. Instead, the statement of revenues, expenditures and changes in fund balance reports the financial resource inflows and outflows arising from the disposition and acquisition of capital assets, the issuance and repayment of long-term debt, and maturation of non-debt long-term liabilities. Capital assets and long-term liabilities associated with and generally arising from activities reported in governmental funds are reported only in the government-wide financial statements.

1C5. Proprietary Fund Financial Statements

The utility fund of the Town is a proprietary fund. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting, the objectives of which involves the determination of operating income, changes in net position, net position, and cash flows. The accounting principles applicable are those similar to businesses in the private sector. The Town maintains one proprietary fund, which is an enterprise fund. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

1D. Cash and Cash Equivalents

The Town has defined cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1E. Deposits and Investments

The governing body has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed. However, it is the policy of the governing body to require deposits in excess of FDIC limits to be collateralized as required by Oklahoma Statutes.

Investments are accounted for in accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments*, which states that investments held at year end with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

1F. Interfund Activity

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2022

Interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

1G. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at cost. Infrastructure assets such as streets that were constructed prior to the adoption of GASB 34 are not required to be reported and are not reported. In the general fund financial statements, capital assets are expensed as capital outlay. In the proprietary fund financial statements and in the government-wide financial statements, capital assets are capitalized and depreciation on all capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 years
Equipment	5 to 20 years
Utility systems	30 to 40 years

1H. Equity Classifications

In the government-wide statements, equity is classified as net position and reported in three components as follows:

1. Net investment in capital assets – Capital assets, net of accumulated depreciation, are reduced by the outstanding balances of any debt attributable to their acquisition, construction, or improvement.
2. Restricted – Net assets that have had constraints placed upon them either by external sources such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted – All other net assets that do not meet the definition of the previous two classifications.

In the fund financial statements, governmental fund equity is classified as fund balance and reported as needed in five components as follows:

1. Nonspendable – amounts not in a spendable form, or legally or contractually required to be maintained intact.
2. Restricted – constraints placed on fund balance are externally imposed by creditors, grantors, or other governments; or are imposed by law through constitutional provisions or enabling legislation.
3. Committed – amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the individual government's highest level of decision-making authority.
4. Assigned – constraints placed on fund balance are imposed by the government's intent that it be used for specific purposes but are neither restricted nor committed. An individual government must define and disclose how it expresses its intent for purposes of making assignments. For the Town, this intent is expressed by the use of purchase orders encumbering amounts for assigned purposes as approved by the board of trustees.
5. Unassigned – remaining fund balance in excess of all other classifications.

**The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2022**

1I. Revenues and Expenditures

Program revenues in the government-wide statements include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing the goods or services that are the funds principal ongoing operations. Revenues and expenses not meeting this definition are nonoperating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB-33. In applying GASB-33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

1J. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as needed. When both assigned and unassigned resources are available for use, it is the government's policy to use assigned resources first, and then unassigned resources as needed.

2. Deposits and Investments

The Town has deposits of \$336,420 in excess of insured limits that are collateralized by securities held by the pledging financial institution's trust department or agent but not in the Town's name.

The State of Oklahoma allows municipalities to invest in the following: direct obligations of the U.S. Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; and county, municipal or school district direct debt.

3. Restricted Cash

Grant County sales taxes restricted for the Wakita fire department are recorded as restricted cash in the general fund. Although the funds are maintained by the county, the Town records them on its books for purposes of oversight and control since the expenditure of these funds is material to the financial statements of the general fund. The balance at the county at June 30 is \$131,400. Shared tax revenues of \$39,716 and expenditures of \$51,207 are included in these financial statements.

Insurance reserves of \$9,810 are on deposit at the Oklahoma Municipal Insurance Group (OMAG).

Debt service reserves are required by the Rural Development loan agreement. A debt service reserve of \$16,788 has been fully funded. A short-lived asset reserve is funded with monthly deposits of \$317, for a balance at June 30 of \$41,484. At year end, the combined balance of these reserve accounts is \$58,275, the required amount.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2022

Meter deposits of \$18,950 are on deposit with the WUA at June 30.

4. Capital Assets

Capital asset activity for the year just ended is summarized as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Assets not depreciated				
Construction in progress	0	0	0	0
Depreciable assets				
Buildings	1,073,094	0	0	1,712,163
Leased equipment	55,200	0	0	55,200
Equipment	261,736	0	(3,396)	560,981
Infrastructure	38,394	0	0	38,394
Total depreciable assets	1,428,424	0	(3,396)	2,366,738
Accumulated depreciation				
Buildings	(702,898)	(60,799)	0	(763,698)
Leased equipment	(1,380)	(2,760)	0	(4,140)
Equipment	(355,877)	(34,365)	3,396	(386,845)
Infrastructure	(20,157)	(1,920)	0	(22,077)
Total depreciation	(1,080,312)	(99,844)	3,396	(1,176,760)
Net depreciable assets	348,112	(99,844)	0	1,189,978
Net governmental assets	\$348,112	(\$99,844)	\$0	\$1,189,978
Business-type activities				
Assets not depreciated				
Land	160,000	0	0	160,000
Construction in progress	19,816	0	(19,816)	0
Total assets not depreciated	179,816	0	(19,816)	160,000
Depreciable assets				
Buildings	10,000	0	0	10,000
Equipment	30,078	0	0	30,078
Utility systems	2,441,089	134,984	0	2,576,072
Total depreciable assets	2,481,166	134,984	0	2,616,150
Accumulated depreciation				
Buildings	(7,583)	(333)	0	(7,917)
Equipment	(12,333)	(5,070)	0	(17,403)
Utility systems	(1,119,875)	(67,930)	0	(1,187,805)
Total depreciation	(1,139,791)	(73,333)	0	(1,213,124)
Net depreciable assets	1,341,375	61,651	0	1,403,026
Net business-type assets	\$1,521,191	\$61,651	(\$19,816)	\$1,563,026

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2022

Depreciation expense was charged to functions as follows:

Governmental activities		Business-type activities	
General government	34,974	Administration	5,403
Fire department	57,570	Sewer	35,550
Street department	7,300	Water	30,012
Total governmental depreciation	<u>\$99,844</u>	Gas	2,368
		Total business-type depreciation	<u>\$73,333</u>

5. Long-term Debt

Long-term debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Direct borrowings					
Governmental activities					
Backhoe lease-purchase	4,501	0	(4,501)	0	0
Business-type activities					
Water system note payable	313,456	0	(6,700)	306,756	6,921

Outstanding debt at year end was as follows:

	Interest Rate	Maturity Date	Amount Issued	Outstanding	Security
Direct borrowings					
Business-type activities					
Water system note payable	3.250%	11/22/33	375,000	306,756	water system and revenues

February 10, 2009, the Town entered into a \$20,200 15-year lease-purchase agreement for a backhoe. The lease carries a fixed annual interest rate of 5.766% and matures February 10, 2024. The Town is obligated to pay only such rental payments as are appropriated for that purpose annually. If the Town fails to budget funds for the lease, it will be deemed terminated at the end of the term last budgeted. The Town has opted to take title to the backhoe upon fulfillment of the lease, which occurred during the current year.

July 22, 2011, the WUA issued a \$375,000 note for water system improvements. The note carries a fixed annual interest rate of 3.25% and matures July 22, 2051. The note is secured by all water revenues and a mortgage on the water system. Debt service reserves required by the note are recorded as restricted cash (see Note 3).

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2022

A summary of debt service requirements to maturity by year is as follows:

Direct Borrowings

Business-type activities			
June 30:	Principal	Interest	Total
2023	6,921	9,867	16,788
2024	7,149	9,639	16,788
2025	7,385	9,403	16,788
2026	7,629	9,159	16,788
2027	7,880	8,908	16,788
2028-2032	43,477	40,463	83,940
2033-2037	51,138	32,802	83,940
2038-2042	60,148	23,793	83,941
2043-2047	70,744	13,195	83,939
2048-2050	44,285	2,077	46,362
Total	<u>\$306,756</u>	<u>\$159,306</u>	<u>\$466,062</u>

6. Long-term Maintenance and Repair Contract

During FY 2001, the Town entered into a long-term contract for water tower repairs and maintenance. An annual maintenance fee began in 2004 with cost of service adjustments calculated every three years, but in no case to exceed 5% annually. The contract is subject to cancellation with 90 days written notice prior to the anniversary date. The cost for 2022 was \$9,780.

7. Defined Benefit Pension Plans

Volunteer Firefighters

Plan Description. The Town contributes to the Oklahoma Firefighters Pension and Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105, or by calling 1-800-525-7461.

Funding Policy. Volunteer firefighters are not required to contribute, but the Town is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The Town's contribution to the System for the years ended June 30, 2022, 2021 and 2020 was \$780, \$840, and \$660 respectively equal to the required contribution for each year.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2022

Town Employees

Plan Description. The Town's defined benefit pension plan, the Town of Wakita Plan and Trust (WPT), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. WPT is affiliated with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple-employer type plan administered by Bank One in Oklahoma City, OK. Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in OMRF to the respective employer entities; for WPT, that authority rests with the Town of Wakita. The Oklahoma Municipal Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 100 North Broadway, Oklahoma City, OK 73102, or by calling 1-888-394-6673.

Funding Policy. OMRF members (employees) are required to contribute 2.25% of their annual covered salary. The Town is required to contribute at an actuarially determined rate which is currently 0% of annual covered payroll; however, they are contributing at 2.25%. The contribution requirements of plan members and the Town are established and may be amended by the OMRF Board of Trustees. For the year just ended, the total payroll for the Town was \$74,520. Payroll subject to the pension was \$41,485. The Town contributed \$933 and employees contributed \$1,131.

Annual Pension Cost and Net Pension Obligation. The required contribution was determined as part of the July 1, 2021, actuarial valuation using the entry age normal cost method which is computed as the level percent of pay which, if paid from the time an employee becomes a participant until assumed retirement, would accumulate funds sufficient to pay all plan benefits. The actuarial assumptions include (a) 7.25% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by year based on the age of the employee, and (c) 2.75% per year cost-of-living adjustments. The actuarial value of WPT assets was determined using a 7.25% yield on the actuarial value at the beginning of the period, increased or decreased by a cumulative adjustment using a range of 70% to 130% of the current market value of the fund.

8. Risk Management

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Claims activity for the year just ended consisted of 1 claim for water system damages in the amount of \$5,044.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2022

9. Inter-fund Transactions

	General	Utility	
Transfers	Fund	Fund	Total
Capital outlay	(88,169)	88,169	0
Operations	(16,191)	16,191	0
Total	<u>(\$104,360)</u>	<u>\$104,360</u>	<u>\$0</u>

	General	Utility	
Internal Balances	Fund	Fund	Total
Operations	4,270	(4,270)	0

10. Budgets

The board of trustees adopts a legally required annual operating budget each year. The same basis of accounting used for financial reporting purposes is used for budgetary purposes. Actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments are approved by the board when required. Supplemental appropriations, if needed, are approved by the board and submitted to the state auditor's office as required by state statutes. All appropriations lapse at the end of the fiscal year. For the year just ended, one budget amendment was approved by the trustees.

11. Subsequent Events

Management performed an evaluation of the Town's activity through November 15, 2022, the date the audit was available to be issued, and has concluded that there are no significant subsequent events requiring disclosure through that date.

**THE TOWN OF WAKITA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and use taxes	45,000	48,000	69,665	21,665
Franchise taxes	9,000	9,000	8,788	(212)
Shared taxes	29,300	31,300	63,049	31,749
Grants and contributions	4,000	111,522	142,402	30,880
Interest	0	1,100	1,314	214
Other revenues	10,000	10,000	1,894	(8,106)
TOTAL REVENUES	97,300	210,922	287,712	76,790
EXPENDITURES				
General government	50,000	57,000	45,014	11,986
Fire department	10,000	11,000	60,533	(49,533)
Street department	30,000	39,000	34,895	4,105
Debt service	0	0	4,650	(4,650)
Capital outlay	0	112,341	0	112,341
TOTAL EXPENDITURES	90,000	219,341	145,092	74,249
REVENUES OVER (UNDER) EXPENDITURES	7,300	(8,419)	142,620	151,039
OTHER FINANCING SOURCES (USES)				
Transfers-in (out)	0	0	(104,360)	(104,360)
NET CHANGE IN FUND BALANCES	7,300	(8,419)	38,260	46,679
BEGINNING FUND BALANCE	451,901	451,901	451,901	0
ENDING FUND BALANCE	459,201	443,482	490,161	46,679

Notes to the budgetary comparison schedule:

1. This schedule is prepared using the modified cash basis of accounting.
2. The town does not budget the Grant County fire tax expenditures.

BECKY FLEMING, C.P.A., INC.

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**INDEPENDENT AUDITOR'S REPORT ON THE 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**

The Board of Trustees
The Town of Wakita, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each fund of the Town of Wakita, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Wakita, and have issued our report thereon, dated November 15, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as finding 2022-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

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

The Town of Wakita's Response to Findings

The Town of Wakita's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Wakita's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

 C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
November 15, 2022

TOWN OF WAKITA

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WAKITA, OKLAHOMA 73771**

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Schedule of Findings and Responses For the Year Ended June 30, 2022

2022-1

Repeat finding from prior year.

Criteria: Segregation of duties or other compensating procedures to provide oversight and review between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments should be established to make deliberate fraud more difficult to enact and make it more likely that innocent errors will be found and corrected.

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

Cause: There is not sufficient segregation of duties between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments, and no compensating procedures to provide for oversight or review of those transactions.

Effect: Because there is not sufficient segregation of duties between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments, and no compensating procedures to provide for oversight or review of those transactions, posting or other errors could occur and not be found and corrected on a timely basis.

Recommendation: We recommend that procedures be established to provide segregation of duties between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments, or, where that is not possible, establish other compensating procedures to provide for oversight or review of those transactions.

Response - Since we are a small town with our clerk/treasurer as the only administrative and bookkeeping employee, we do not have a way of segregating duties. However, we will try to find ways to establish better oversight procedures.

THE TOWN OF WAKITA
SCHEDULE OF RECEIPTS OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022
(Modified Cash Basis)

<i>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS
U.S. Department of Housing and Urban Development <i>Oklahoma Department of Commerce</i> Community Development Block Grants/State's Program	14.228	17866 CDBG 19	88,169
U.S. Department of the Treasury <i>Oklahoma Municipal League</i> Coronavirus Local Fiscal Recovery Funds (SLFRF) for Non-Entitlement Units of Government	21.027		28,469
U.S. Department of Homeland Security <i>Oklahoma Department of Emergency Management</i> Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-06-OK-4587-PW	16,190
TOTAL FEDERAL AWARDS			<u>\$132,828</u>

THE TOWN OF WAKITA
SCHEDULE OF RECEIPTS OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2022
(Modified Cash Basis)

<i>STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	GRANTOR'S NUMBER	RECEIPTS
Oklahoma Department of Agriculture <i>Oklahoma Association of Regional Councils</i> Rural Fire Protection		4,763
TOTAL STATE AWARDS		<u>\$4,763</u>