



**TOWN OF WELCH
STATE OF OKLAHOMA**

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

**FOR THE YEAR ENDED
JUNE 30, 2023**

TOWN OF WELCH, STATE OF OKLAHOMA
BOARD OF TRUSTEES

KATHY JENKINS

MAYOR

BARRY ARMSTRONG

VICE MAYOR

GLEN WALKER

TRUSTEE

GARY DAUGHTERY

TRUSTEE

FLOYD MOSS III

TRUSTEE

TOWN OF WELCH, STATE OF OKLAHOMA
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council
Town of Welch, State of Oklahoma

OPINIONS

We 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 Welch, State of Oklahoma (the "Town"), as of and for the year ended June 30, 2023, 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, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2023, and the respective changes in modified cash-basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1C.

BASIS FOR OPINIONS

We conducted our 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 (*Government Auditing Standards*). 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, 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 1C 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, which is described in Note 1C. This includes 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.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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'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

Voluntary supplementary information

The budgetary comparison information, on page 30, is presented for purposes of additional analysis and is not a required part of the financial statements. The budgetary comparison 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. Such 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information, is fairly stated, in all material respects, in relation to the basic financial statements, as a whole, on the basis of accounting described in Note 1C.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 5, 2024, on our consideration of the Town'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'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 the Town's internal control over financial reporting, and compliance.

Sincerely,



OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA
FEBRUARY 5, 2024

Our discussion and analysis of the Town of Welch, State of Oklahoma (the “Town”)’s financial performance provides an overview of the Town’s financial activities.

FINANCIAL HIGHLIGHTS

- The Town’s total revenues for both governmental and business-type activities exceed expenses by \$640,854.40 for the year. The governmental activities resulted in expenses exceeding revenues by \$80,419.08, with an increase in net position. The operations of its business-type activities, the Welch Public Works Authority (the “PWA”), resulted in revenues exceeding expenses by \$560,435.32 with an increase in net position.
- The Town ended the year with a fund balance of \$688,134.20.
- The PWA ended the year with a net position of \$1,167,152.22.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management’s discussion and analysis* (this section), the *basic financial statements*, *notes to the financial statements*, and an optional section that presents voluntary supplementary information. The basic financial statements include two kinds of statements that present different views of the Town.

- The first two segments are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town’s overall financial status.
- The remaining statements are *fund financial statements*, which focus on *individual parts* of the Town’s operations in more detail than the *government-wide financial statements*.
- The *governmental funds* statements tell how *general government* services, like public safety, were financed in the *short-term*, as well as what remains for future spending.
- The *proprietary fund* statements are reported in the same way as the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements, and provide more detailed data. The notes are followed by a section of *voluntary supplementary information* that further explains and supports the information in the financial statements.

Government-Wide Statements

The government-wide statements report information about the Town, as a whole, using accounting methods similar to those used by private-sector companies. The statement of net position – modified cash basis includes *all* of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities – modified cash basis.

The two government-wide statements report the Town’s *net position*, and how it has changed. Net position – the difference between the Town’s assets and liabilities – is one way to measure the Town’s financial health, or *position*.

Over time, increases or decreases in the Town’s net position are an indicator of whether its financial health is improving, or deteriorating, respectively.

The government-wide financial statements of the Town are divided into categories:

Governmental activities – Most of the Town's basic services are included here, such as the police, fire, public works, parks departments, and general administration. Sales taxes, use taxes, and grants finance most of these activities

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

Fund Financial Statements

The following two paragraphs summarize the major features of the Town's financial statements, including the portion of the Town government that they cover, and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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 in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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 whether there are more, or fewer, financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position – modified cash basis and the statement of activities – modified cash basis) and governmental funds is reconciled in the financial statements of the governmental 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 – modified cash basis and the statement of activities – modified cash basis. As of June 30, 2023, the Town of Welch has one proprietary fund, the Welch Public Works Authority (the "PWA").

TOWN OF WELCH, STATE OF OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position (See Table A-1)

	Table A-1 Town of Welch's Net Position		
	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 354,486.68	\$ 89,985.76	\$ 444,472.44
Capital assets	405,668.54	1,407,725.95	1,813,394.49
Total Assets	<u>\$ 760,155.22</u>	<u>\$ 1,497,711.71</u>	<u>\$ 2,257,866.93</u>
Current liabilities	\$ 12,269.50	\$ 121,923.36	\$ 134,192.86
Long-term liabilities	59,751.52	208,636.13	268,387.65
Total Liabilities	<u>72,021.02</u>	<u>330,559.49</u>	<u>402,580.51</u>
Net Position			
Invested in capital assets	333,647.52	1,177,447.03	1,511,094.55
Unrestricted	354,486.68	(10,294.81)	344,191.87
Total Net Position	<u>688,134.20</u>	<u>1,167,152.22</u>	<u>1,855,286.42</u>
Total Liabilities and Net Position	<u>\$ 760,155.22</u>	<u>\$ 1,497,711.71</u>	<u>\$ 2,257,866.93</u>

Changes in Net Position (See Table A-2)

	Table A-2 Changes in Town of Welch's Net Position		
	Governmental Activities	Business-Type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 14,550.00	\$ 426,660.22	\$ 441,210.22
Investment earnings (expense)	39.35	(10,782.11)	(10,742.76)
Grant revenues	69,463.11	615,316.31	684,779.42
General revenues:			
Sales tax revenues	133,735.89	-	133,735.89
Other taxes	131,123.84	-	131,123.84
Other	31,602.10	-	31,602.10
Total Revenues	<u>391,970.25</u>	<u>1,019,738.46</u>	<u>1,411,708.71</u>
Total Expenses	<u>309,530.92</u>	<u>461,323.39</u>	<u>770,854.31</u>
Increase/(Decrease) in Net Position	<u>\$ 82,439.33</u>	<u>\$ 558,415.07</u>	<u>\$ 640,854.40</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

General Fund Budgetary Highlights

The Town's budget is prepared according to Oklahoma law, and is based on the beginning surplus, plus ninety percent of the previous years' recurring revenues. The most significant budget fund is the general fund. An annual appropriation budget is required for the general fund. The Town Council is provided with a detailed line-item budget for the general fund. Normally, several meetings are devoted to discussion, and explanation, of the proper budget by the staff. The Town Council may transfer appropriations from one line-item to another after the budget is adopted. The Council must approve any budget amendments that would alter total budget, or make any interfund transfers of money. The Town Council closely monitors the budget throughout the year, using monthly financial statements, comparing budgeted revenue and expenditures to actual revenue and expenditures.

CONTACTING THE TOWN'S FINANCE DEPARTMENT

The management's discussion and analysis is designed to provide citizens, taxpayers, customers, and investors 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 questions, or need additional financial information, please contact the Town of Welch at (918) 788-3616.

TOWN OF WELCH, STATE OF OKLAHOMA
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 268,083.32	\$ 42,551.07	\$ 310,634.39
Due from other funds	86,403.36	-	86,403.36
Total Current Assets	354,486.68	42,551.07	397,037.75
Current Restricted Assets:			
Cash and cash equivalents	-	47,434.69	47,434.69
Total Current Restricted Assets	-	47,434.69	47,434.69
Non-Current Assets:			
Capital assets, net of accumulated depreciation	405,668.54	1,407,725.95	1,813,394.49
Total Assets	\$ 760,155.22	\$ 1,497,711.71	\$ 2,257,866.93
Liabilities			
Current Liabilities:			
Due to other funds	\$ -	\$ 86,403.36	\$ 86,403.36
Current portion of long-term debt	12,269.50	35,520.00	47,789.50
Total Current Liabilities	12,269.50	121,923.36	134,192.86
Non-Current Liabilities:			
Meter deposits	-	13,877.21	13,877.21
Notes payable, less current portion	59,751.52	194,758.92	254,510.44
Total Non-Current Liabilities	59,751.52	208,636.13	268,387.65
Total Liabilities	72,021.02	330,559.49	402,580.51
Net Position			
Invested in capital assets, net of related debt	333,647.52	1,177,447.03	1,511,094.55
Unrestricted	354,486.68	(10,294.81)	344,191.87
Total Net Position	688,134.20	1,167,152.22	1,855,286.42
Total Liabilities and Net Position	\$ 760,155.22	\$ 1,497,711.71	\$ 2,257,866.93

The accompanying notes are an integral part of these financial statements

TOWN OF WELCH, STATE OF OKLAHOMA
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General Government							
Personal services	\$ 92,286.82	\$ -	\$ -	\$ -	\$ (92,286.82)	\$ -	\$ (92,286.82)
Maintenance and operation	126,896.00	-	14,771.43	36,711.41	(75,413.16)	-	(75,413.16)
Public Safety and Judicial							
Animal control	-	-	-	-	-	-	-
Fire	82,548.10	14,550.00	17,980.27	-	(50,017.83)	-	(50,017.83)
Cemetery	7,800.00	-	-	-	(7,800.00)	-	(7,800.00)
Total governmental activities	309,530.92	14,550.00	32,751.70	36,711.41	(225,517.81)	-	(225,517.81)
Business-type activities:							
Water and sewer	461,323.39	426,660.22	-	615,316.31	-	580,653.14	580,653.14
Total	\$ 770,854.31	\$ 441,210.22	\$ 32,751.70	\$ 652,027.72	\$ (225,517.81)	\$ 580,653.14	\$ 355,135.33
Changes in net position:							
Net (expense) revenue					\$ (225,517.81)	\$ 580,653.14	\$ 355,135.33
General Revenues:							
Taxes:							
Sales tax					133,735.89	-	133,735.89
Use tax					20,054.15	-	20,054.15
Alcoholic beverage tax					16,057.90	-	16,057.90
Cigarette tax					1,196.90	-	1,196.90
Franchise tax					27,023.36	-	27,023.36
Other taxes					66,112.03	-	66,112.03
Rental/sale of property income					4,681.88	-	4,681.88
Restricted for transportation purposes:							
Motor vehicle tax					-	-	-
Gasoline tax					679.50	-	679.50
Interest income/(expense)					39.35	(10,782.11)	(10,742.76)
Donations					2,599.62	-	2,599.62
Miscellaneous income/(expense)					22,300.35	2,020.25	24,320.60
Total General Revenues					294,480.93	(8,761.86)	285,719.07
Indirect Expenses:							
Transfers - internal acitivity					11,455.96	(11,455.96)	-
Total general revenues and transfers					305,936.89	(20,217.82)	285,719.07
Change in net position					80,419.08	560,435.32	640,854.40
Net position - beginning					607,715.12	606,716.90	1,214,432.02
Net position - ending					\$ 688,134.20	\$ 1,167,152.22	\$ 1,855,286.42

The accompanying notes are an integral part of these financial statements

TOWN OF WELCH, STATE OF OKLAHOMA
BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Fire Department Fund	Total Governmental Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 210,015.87	\$ 58,067.45	\$ 268,083.32
Due from other funds	61,702.01	24,701.35	86,403.36
Total current assets	<u>271,717.88</u>	<u>82,768.80</u>	<u>354,486.68</u>
Non-current assets:			
Restricted assets - cash and investments	-	-	-
Total assets	<u>\$ 271,717.88</u>	<u>\$ 82,768.80</u>	<u>\$ 354,486.68</u>
Liabilities and Fund Balances			
Liabilities:			
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Unassigned	271,717.88	-	271,717.88
Assigned	-	82,768.80	82,768.80
Total fund balances	<u>271,717.88</u>	<u>82,768.80</u>	<u>354,486.68</u>
Total liabilities and fund balances	<u>\$ 271,717.88</u>	<u>\$ 82,768.80</u>	<u>\$ 354,486.68</u>
 Total fund balance, governmental funds			\$ 354,486.68
 Amounts reported for governmental activities in the statement of net position - modified cash basis are different because:			
Capital assets, net of depreciation, used in governmental activities are not current financial resources, and therefore, are not reported in the governmental activities of the statement of net position - modified cash basis.			405,668.54
Long-term liabilities, including capitalized lease obligations, are not due and payable in the current period, and therefore, are not reported in the governmental activities of the statement of net position - modified cash basis.			<u>(72,021.02)</u>
Net position of governmental activities in the statement of net position - modified cash basis			<u>\$ 688,134.20</u>

The accompanying notes are an integral part of these financial statements

TOWN OF WELCH, STATE OF OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Fire Department Fund	Total Governmental Funds
Revenues			
Sales tax	\$ 133,735.89	\$ -	\$ 133,735.89
Use tax	20,054.15	-	20,054.15
Alcohol tax	16,057.90	-	16,057.90
Cigarette tax	1,196.90	-	1,196.90
Franchise tax	27,023.36	-	27,023.36
Gasoline tax	679.50	-	679.50
Taxes other	66,112.03	-	66,112.03
Fundraising gifts/donations	-	2,599.62	2,599.62
Charges for services	4,681.88	14,550.00	19,231.88
Investment income	39.35	-	39.35
Grants	51,482.84	17,980.27	69,463.11
Miscellaneous	2,336.64	19,963.71	22,300.35
Total revenues	323,400.44	55,093.60	378,494.04
Expenditures			
General Government:			
Personal services	92,286.82	-	92,286.82
Maintenance and operations	126,896.00	-	126,896.00
Public Safety and Judiciary:			
Animal control	-	-	-
Fire:			
Maintenance and operations	-	42,512.26	42,512.26
Cemetery:			
Maintenance and operations	7,800.00	-	7,800.00
Capital outlays	14,500.00	-	14,500.00
Debt service - principal	-	9,257.86	9,257.86
Debt service - interest	-	3,243.62	3,243.62
Total expenditures	241,482.82	55,013.74	293,252.94
Excess/(deficiency) of revenues over/ (under) expenditures	81,917.62	79.86	85,241.10
Other Financing Sources/(Uses)			
Transfers in/(out) - Fire Dues	-	10,702.00	10,702.00
Transfers in/(out)	(4,597.54)	5,351.50	753.96
Total other financing sources and (uses)	(4,597.54)	16,053.50	11,455.96
Net change in fund balance	77,320.08	16,133.36	93,453.44
Fund balances, beginning	194,397.80	66,635.44	261,033.24
Fund balances, ending	\$ 271,717.88	\$ 82,768.80	\$ 354,486.68

The accompanying notes are an integral part of these financial statements

TOWN OF WELCH, STATE OF OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES— MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds	\$ 93,453.44
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Amounts reported for governmental activities in the statement of activities - modified cash basis are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities - modified cash basis reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives, as depreciation expense, for the period. This is the amount that depreciation in the current period exceeds the current capital outlays:	(22,292.22)
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Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position - modified cash basis. This is the amount of the repayment:	<u>9,257.86</u>
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Change in net position of governmental activities in the statement of activities - modified cash basis	<u><u>\$ 80,419.08</u></u>
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The accompanying notes are an integral part of these financial statements

TOWN OF WELCH, STATE OF OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUND – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	Welch Public Works Authority
Assets	
Current Assets:	
Cash and cash equivalents	\$ 42,551.07
Restricted Assets:	
Cash and cash equivalents	47,434.69
Total Current Assets	<u>89,985.76</u>
Non-Current Assets:	
Capital assets, net of accumulated depreciation	<u>1,407,725.95</u>
Total Assets	<u><u>\$ 1,497,711.71</u></u>
Liabilities	
Current Liabilities:	
Due to other funds	\$ 86,403.36
Current portion of notes and lease obligations payable	35,520.00
Total Current Liabilities	<u>121,923.36</u>
Non-Current Liabilities:	
Meter deposits	13,877.21
Notes and lease obligations payable, less current portion	194,758.92
Total Non-Current Liabilities	<u>208,636.13</u>
Total Liabilities	<u>330,559.49</u>
Net Position	
Invested in capital assets, net of related debt	1,177,447.03
Unrestricted	<u>(10,294.81)</u>
Total Net Position	<u>1,167,152.22</u>
Total Liabilities and Net Position	<u><u>\$ 1,497,711.71</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF WELCH, STATE OF OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUND – MODIFIED CASH BASIS
 FOR THE YEAR ENDED JUNE 30, 2023

	Welch Public Works Authority
Operating Revenues:	
Charges for services	\$ 426,459.72
Miscellaneous revenues	200.50
Total Operating Revenues	<u>426,660.22</u>
Operating Expenses:	
Water distribution costs	172,573.62
Sewer operation costs	127,706.02
Salaries and benefits	91,177.70
Depreciation	69,866.05
Total Operating Expenses	<u>461,323.39</u>
Operating Income/(Loss)	<u>(34,663.17)</u>
Non-Operating Revenues/(Expenses):	
Capital grants and contributions	615,316.31
Insurance proceeds	2,020.25
Interest income	121.23
Interest expense	(10,903.34)
Total Non-Operating Revenues/(Expenses)	<u>606,554.45</u>
Net Income/(Loss) Before Transfers	571,891.28
Transfers in/(out)	<u>(11,455.96)</u>
Change in Net Position	560,435.32
Total Net Position - Beginning	<u>606,716.90</u>
Total Net Position - Ending	<u><u>\$ 1,167,152.22</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF WELCH, STATE OF OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	Welch Public Works Authority
Cash Flows from Operating Activities	
Receipts from customers	\$ 426,660.22
Payments to suppliers and employees	(386,877.42)
Net cash provided/(used) by operating activities	<u>39,782.80</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(593,419.46)
Principal paid on capital debt	(38,674.68)
Interest paid on capital debt	(10,903.34)
Net cash provided/(used) by capital and related financing activities	<u>(25,660.92)</u>
Cash Flows from Investing Activities	
Interest and dividends	<u>121.23</u>
Net increase/(decrease) in cash and cash equivalents	2,787.15
Cash and cash equivalents, beginning of year	<u>87,198.61</u>
Cash and cash equivalents, end of year	<u><u>\$ 89,985.76</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income/(loss)	\$ (34,663.17)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	69,866.05
Changes in assets and liabilities:	
Increase/(decrease) in accrued liabilities	(510.00)
Net cash provided/(used) by operating activities	<u><u>\$ 39,782.80</u></u>
Reconciliation to Statement of Net Position - Modified Cash Basis	
Cash and cash equivalents	\$ 42,551.07
Restricted cash and cash equivalents	47,434.69
Total cash and cash equivalents	<u><u>\$ 89,985.76</u></u>

The accompanying notes are an integral part of these financial statements

Note 1- Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of the Town of Welch, State of Oklahoma's (the "Town")'s financial statements.

As discussed further in Note 1C, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurements and recognition criteria of the modified cash basis of accounting.

1A. Financial Reporting Entity

The Town's financial reporting entity is comprised of the following:

Primary Government:	Town of Welch, State of Oklahoma
Blended Component Unit:	Welch Public Works Authority ("PWA", the "Authority")

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*," and includes all component units of which the Town appointed a voting majority of the units' board, and the Town is either able to impose its will on the unit, or a financial benefit, or burden, relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria, described above, and whose 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 fund is blended into those of the Town's, by appropriate activity type, to comprise the primary government presentation.

Component Unit	Brief Description/Inclusion Criteria	Reporting
Welch Public Works Authority	Created to finance, develop, and operate water and sewer services activities.	Enterprise Fund

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria, described above, but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

1.B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position - modified cash basis and statement of activities - modified cash basis 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, or governmental revenues, and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods and services.

Note 1- Summary of Significant Accounting Policies (continued)

1.B. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

The statement of activities - modified cash basis presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program, or function, and therefore, are clearly identifiable to a particular function.

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, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. 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 ten 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 five 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 is 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.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes, or designated to finance particular functions, or activities, of the Town.

Proprietary Funds

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 measurements, similar to the private sector. The reporting entity includes the following enterprise fund:

Welch Public Works Authority

Accounts for activities of the public trust in providing water and sewer services to the public.

Note 1- Summary of Significant Accounting Policies (continued)

1.C. Measurement Focus and Basis of Accounting

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

Measurement Focus

In the government-wide statement of net position - modified cash basis, and statement of activities - modified cash basis, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined in items (a) and (b).

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

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

Basis of Accounting

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

This modified cash basis of accounting differs from GAAP primarily because certain other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction, or event, are not reported, and the measurement of reported assets and liabilities does not involve adjustments to fair value.

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

Note 1- Summary of Significant Accounting Policies (continued)

1.D. Assets, Liabilities and Equity

Cash and cash equivalents

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

For financial statement presentation, and for purposes of the statement of cash flows – modified cash basis, the Town's cash, and cash equivalents, are considered to be cash on hand, demand deposits, and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered investments.

Estimates

The preparation of financial statements, in conformity with the modified cash basis of accounting used by the Town, requires management to make estimates, and assumptions, that affect certain reported amounts, and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

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

Government-Wide Statements

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

Depreciation of all exhaustible capital assets arising from cash transactions, or events, is recorded as an allocated expense in the statement of activities - modified cash basis, with accumulated depreciation reflected in the statement of net position - modified cash basis. Depreciation is provided over the assets' estimated useful lives, using the straight-line method of depreciation.

Depreciation is computed using the straight-line method, over the following estimated useful lives, in years:

Buildings	20-60
Building Improvements	20-60
Utility System	20-60
Equipment	3-20

Note 1- Summary of Significant Accounting Policies (continued)

1. D. Assets, Liabilities and Equity (continued)

Fund Financial Statements

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

Compensated Absences

The Town does not have a compensated absences policy; therefore, there are not amounts recorded as liabilities in the financial statements.

Net Position/Fund Balance Classifications

Government-Wide Statements

Net position is classified and displayed in three components:

1. *Net investment in capital assets* – Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, and adjusted for any deferred inflows and outflows of resources attributable to capital assets, and related debt.
2. *Restricted* – Consists of restricted assets, reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions, or enabling legislation.
3. *Unrestricted* – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets, or the restricted component of net position.

Fund Financial Statements

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

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

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

Note 1- Summary of Significant Accounting Policies (continued)

1.D. Assets, Liabilities and Equity (continued)

Committed – Amounts constrained, regarding use, for specific purposes, pursuant to requirements imposed by formal action of the Town’s highest level of decision-making authority.

Assigned – Amounts constrained by the Town’s intent to be used for specific purposes, but that are neither restricted nor committed.

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

When an expenditure is incurred for purposes for which amounts in any of the fund balance classifications of committed, assigned, or unassigned could be used, the Town considers the expenditure spent out of the committed fund balance.

Note 1.E. Revenues, Expenditures, and Expenses

Sales tax

The Town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund.

Use Tax

The Town levies a use-tax on personal property purchased outside the Town limits, but stored, used, or consumed within the Town. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received by the vendors. The use taxes are allocated entirely to the General Fund. Use taxes collected by the State in June and July are received by the Town in July and August.

Operating Revenue and Expenses

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

Expenditures/Expenses

In the government-wide financial statements, expenses are classified, by function, for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By character: Current (further classified by function), debt service, capital outlay

Proprietary Fund – By operating and non-operating

Note 1- Summary of Significant Accounting Policies (continued)

1.F. Interfund Transfers

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities - modified cash basis, all interfund transfers between individual governmental funds have been eliminated.

1.G. Use of Estimates

The preparation of the financial statements, in accordance with the modified cash basis of accounting, requires management to make estimates, and assumptions, that affect reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Stewardship, Compliance and Accountability

By its nature as a local government unit, the Town, and its component units, are subject to various federal, state, and local laws, and contractual regulations. An analysis of the Town's compliance with significant laws, regulation, grants, and contracts, and demonstration of its stewardship over the Town resources follows:

2.A. Fund Accounting Requirements

The Town complies with all state and local laws, and regulations, requiring the use of separate funds. The legally required funds used by the Town include the following:

<u>Fund</u>	<u>Required By</u>
Public Works Authority Fund	Trust Indenture

2.B. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. For the year ended June 30, 2023, the Town complied, in all material respects, with those revenue restrictions. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions on Use</u>
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Water and Sewer Revenue	Debt Service and Utility Operations

2.C. Deposit and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral, valued at the lower of market or par. Acceptable collateral includes certain U.S. Government, or Government agency, securities, certain State of Oklahoma, or political subdivision, debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors, or loan committee. As reflected in Note 3.A., all deposits were fully insured, or collateralized, for the fiscal year ended June 30, 2023.

Note 2. Stewardship, Compliance and Accountability (continued)

2.C. Deposit and Investment Laws and Regulations (continued)

Investments of the Town (excluding Public Trusts) whose population exceeds 3,000, according to the latest census information, are limited by state law to the following:

1. Direct obligations of the U.S. Government, its agencies, or instrumentalities, to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
2. 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;
3. With certain limitations, negotiable certificates of deposit, prime bankers' acceptance, prime commercial paper and repurchase agreements;
4. 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;
5. 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 obligation of national mortgage associations;
6. Money market funds regulated by the SEC, and in which investments consist of the investments mentioned in the previous paragraphs 1., 2., 3., and 4.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations, and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2023, the Town and its public trusts complied, in all material respects, with these investment restrictions.

2. D. Debt Restrictions and Covenants

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility, or non-street, purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2023, the Town has no outstanding general obligation debt.

Other Long-Term Debt

As required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2023, the Town incurred no such indebtedness.

2. E. Fund Equity Restrictions

Deficit Prohibition

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town complied with this statute, in all material respects, for the year ended June 30, 2023.

Note 2. Stewardship, Compliance and Accountability (continued)

2.F. Budgetary Accounting and Control

The Town operates under the Oklahoma Estimates of Needs (Title 68) budget law. A budget is legally adopted by the Board of Trustees for the General Fund of the Town. The budget is prepared using the cash basis and budget laws of the State of Oklahoma. The financial statements are prepared using the modified cash basis of accounting. The Board of Trustees can legally amend the budget, once it has been approved, by filing a supplemental appropriation with the state auditor and inspector and town clerk. Budget transfers between funds have to be approved by the Board of Trustees. There were no supplemental appropriations made during the fiscal year. All appropriations lapse at year-end. The level of control at which expenditures may not legally exceed appropriations is the fund level for each legally adopted fiscal operating budget.

Note 3. Detail Notes – Transaction 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.

3.A. Cash and Investments

The following is a table of deposits and investments, for the Town, as of June 30, 2023, by type:

	Credit Rating	Carrying Value	On Demand	Maturity in Years	
				Less Than One	1-5
Type of Deposits:					
Demand deposits	N/A	\$255,100.10	\$255,100.10	\$ -	\$ -
Time deposits	N/A	12,983.22	-	\$ 12,983.22	-
Total Deposits		<u>\$268,083.32</u>			

Reconciliation to the statement of net position - modified cash basis:
Cash and cash equivalents \$268,083.32

Authorized Investments

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit or savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits, and certificates of deposit, for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Town invests entirely in certificates of deposit.

TOWN OF WELCH, STATE OF OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Note 3. Detail Notes – Transaction Classes/Accounts (continued)

3.A. Cash and Investments (continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's cash deposits, including interest-bearing certificates of deposit, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2023, none of the Town's investments were exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3.B. Capital Assets

Capital Asset Activity - Governmental Type

Capital asset activity, from modified cash basis transactions, or events, for the year ended June 30, 2023, was as follows:

Governmental Activities

	Balance 06/30/2022	Additions	Disposals	Balance 6/30/2023
Non-depreciable assets:				
Land	\$ 3,500.00	\$ -	\$ -	\$ 3,500.00
Depreciable assets:				
Land improvements	-	14,500.00	-	14,500.00
Equipment	200,522.54	-	-	200,522.54
Infrastructure	313,164.00	-	-	313,164.00
Vehicles	253,639.00	-	-	253,639.00
Buildings & improvements	325,004.84	-	-	325,004.84
Total capital assets being depreciated	1,092,330.38	14,500.00	-	1,106,830.38
Accumulated depreciation	(667,869.62)	(36,792.22)	-	(704,661.84)
Governmental activities capital assets, net	\$ 427,960.76	\$ (22,292.22)	\$ -	\$ 405,668.54

Depreciation expense was charged to general government.

Business-Type Activities

	Balance 06/30/2022	Additions	Disposals	Balance 06/30/2023
Non-depreciable assets:				
Land	\$ 211,165.00	\$ -	\$ -	\$ 211,165.00
Construction in process	-	565,170.46	-	565,170.46
Total non-depreciable assets	211,165.00	565,170.46	-	776,335.46
Depreciable assets:				
Buildings & improvements	6,946.00	6,480.00	-	13,426.00
Water and sewer system	3,264,050.41	13,269.00	-	3,277,319.41
Vehicles	5,800.00	-	-	5,800.00
Equipment	108,937.64	8,500.00	-	117,437.64
Total capital assets being depreciated	3,385,734.05	28,249.00	-	3,413,983.05
Accumulated depreciation	(2,712,726.51)	(69,866.05)	-	(2,782,592.56)
Business-type activities capital assets, net	\$ 884,172.54	\$523,553.41	\$ -	\$ 1,407,725.95

Note 3. Detail Notes – Transaction Classes/Accounts (continued)

3.C. Long-Term Debt

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

Governmental Activities Long-term Debt

The Town entered into a capital equipment lease purchase agreement, on November 17, 2019, with Welch State Bank for a 1999 KMC Fire Truck Engine, in the amount of \$29,200. Monthly payments of \$533.83 began December 17, 2019 and include interest of 3.69%. The final lease payment is due on December 17, 2024.

The Town entered into a capital equipment lease purchase agreement, on March 1, 2023, with Welch State Bank for a Tanker Truck, in the amount of \$29,200. Monthly payments of \$507.96 began April 1, 2023 and include interest of 4.299%. The final lease payment is due on March 1, 2037. As of June 30, 2023, the lease to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2024	12,269.50	2,763.28	15,032.78
2025	3,597.76	2,497.76	6,095.52
2026-2030	20,491.63	9,619.48	30,111.11
Thereafter	35,662.13	5,490.91	41,153.04
	<u>\$ 72,021.02</u>	<u>\$ 20,371.43</u>	<u>\$ 15,032.78</u>

Business-Type Activities

As of June 30, 2023, the long-term debt payable, from enterprise fund resources, consisted of the following:

The Authority issued a promissory note, dated July 21, 1995, for the purpose of construction, installation, and enlargement of the water distribution system. The note bears an interest rate of 4.5%, per annum, with monthly installments of \$1,881, including interest, until July 2035. The balance, at June 30, 2023, was \$201,260. The note is secured by the water distribution system.

The Authority issued a promissory note, dated July 23, 1986, for the purpose of construction, installation, and enlargement of the sewer system. The note bears an interest rate of 5%, per annum, with monthly installments of \$876, including interest, until July 2026. The balance, at June 30, 2023, was \$27,561.39. The note is secured by the water distribution system.

The Authority issued a promissory note, in the amount of \$126,400, dated June 25, 2007, for the purpose of purchasing the land for the sewer system. The note bears an interest rate of 5.75%, per annum, with monthly installments of \$1,050, including interest, until June 25, 2023. The note is secured by the land. As of June 30, 2023, the noted has been fully paid off.

The Authority executed an equipment lease purchase, with Welch State Bank, on July 15, 2016, in the amount of \$34,000, bearing interest at 3.49%, per annum, payable in 80 monthly installments of \$477.16, and maturing March 2023. The balance, at June 30, 2023, was \$4,236.92. The note is secured by the equipment.

TOWN OF WELCH, STATE OF OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Note 3. Detail Notes – Transaction Classes/Accounts (continued)

3.C. Long-Term Debt (continued)

The Authority executed an equipment lease purchase, with Welch State Bank, on July 2, 2021, in the amount of \$45,982.64, bearing interest at 2.93%, per annum, payable in 48 monthly installments of \$1,016.64, and maturing July 2025. The balance, at June 30, 2023, was \$35,895.29. The note is secured by the equipment.

Business-Type Activities

Total notes payable, to be repaid by the Authority, at June 30, 2023, are as follows:

Long-term debt	\$ 230,278.92
Less: Current portion	<u>(35,520.00)</u>
Total long-term debt, less current portion	<u>\$ 194,758.92</u>

The Authority's maturities of long-term debt are as follows:

Year Ending June 30	Principal	Interest	Total
2024	35,520.00	9,934.36	45,454.36
2025	35,977.23	7,978.31	43,955.54
2026-2030	87,449.14	26,295.35	113,744.49
Thereafter	71,332.55	5,754.29	77,086.84
	<u>\$230,278.92</u>	<u>\$ 49,962.31</u>	<u>\$280,241.23</u>

Changes in Long-Term Debt

The following is a summary of the changes in general long-term debt for the fiscal year ended June 30, 2023:

	Amount Outstanding July 1, 2022	Issued	Retired	Amount Outstanding June 30, 2023	Amount Due in One Year
<i>Governmental Activities:</i>					
Capital lease payable	\$ 81,278.88	\$ -	\$ (9,257.86)	\$ 72,021.02	\$ 12,269.50
<i>Business-Type Activities:</i>					
Notes payable	268,953.60	-	(38,674.68)	230,278.92	35,520.00
	<u>\$350,232.48</u>	<u>\$ -</u>	<u>\$(47,932.54)</u>	<u>\$302,299.94</u>	<u>\$47,789.50</u>

Note 3. Detail Notes – Transaction Classes/Accounts (continued)

3.D. Restricted Assets

The amounts reported as restricted assets are comprised of the following:

Debt Reserve Funds	\$ 33,557.48
Meter deposits held	<u>13,877.21</u>
	<u>\$ 47,434.69</u>

3.E. Loan Covenant

The loan covenant with Rural Development requires the Authority to impose, and collect, such rates and charges that will provide an amount sufficient for the payment of the operation and maintenance of the system, the annual installment payments on the note, and maintenance of the various funds. Computation of compliance with this covenant is as follows:

Income (loss) from operations	\$ (34,663.17)
Depreciation	69,866.05
Other revenue (expense)	(8,761.86)
Annual installment payments on notes	<u>(38,674.68)</u>
Available funds over loan covenant requirements	<u>\$ (12,233.66)</u>

Note 4. Other Information

Risk Management

Internal Balances

In the process of aggregating the financial information for the government-wide statement of net position - modified cash basis, and statement of activities - modified cash basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated, or reclassified.

Budget Policy

The Town prepares its annual budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the “Budget Act”). In accordance with those provisions, a budget is legally adopted by the Board of Trustees for the General Fund that include revenues and expenditures. The Budget is prepared using the cash basis and budget laws of the State of Oklahoma.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees’ health and life; and natural disaster. The Town maintains insurance for claims and judgments through employee health, property and liability, workers' compensation, and unemployment insurance programs. These insurance programs are accounted for in the General Fund. 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.

Note 4. Other Information (continued)

Proprietary Fund Rates and Charges

In Town Water Rates and Charges	
Minimum monthly charge on first 1,000 gallons	\$ 23.00
Price per thousand gallons for next 2,000 gallons	4.50
Price per thousand gallons for next 2,000 gallons	5.00
Price per thousand on gallons over 5,000	5.50
Out of Town Water Rates and Charges	
Minimum monthly charge on first 1,000 gallons	\$ 25.00
Price per thousand gallons for next 2,000 gallons	4.25
Price per thousand gallons for next 2,000 gallons	4.75
Price per thousand on gallons over 5,000	5.25
Sewer Rates and Charges	
Minimum monthly charge on first 1,000 gallons	\$ 19.00
Price per thousand gallons for next 2,000 gallons	3.50
Price per thousand gallons for next 2,000 gallons	4.00
Price per thousand on gallons over 5,000	4.50

DEQ Consent Order Case No. 15-202

On December 31, 2015, the Oklahoma Department of Environmental Quality (“DEQ”) issued Consent Order – Case No. 15-202. This consent order details certain actions the Welch Public Works Authority (“PWA”) is to take to improve the quality of water and sewer it supplies to its customers. A timetable is also provided to the PWA as to when certain actions are to be completed. The consent order contains penalties to be assessed to the PWA in the event recommended actions are not completed within the time granted. Due to grant funds received, the project is proceeding, and management intends to meet these quality standards.

Subsequent Events

Management has evaluated, and disclosed, subsequent events, up to February 5, 2024, the date that the financials were available to be issued, and no additional disclosures are required.

VOLUNTARY SUPPLEMENTAL INFORMATION

Voluntary Supplementary Information (VSI) includes financial information and disclosures that are not required by the GASB and are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Notes to VSI – Budgetary Comparison Schedule

TOWN OF WELCH, STATE OF OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
 REGULATORY BASIS – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2023

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>				
Taxes	\$179,826.00	\$179,826.00	\$264,859.73	\$ 85,033.73
Investment income	39.00	39.00	39.35	0.35
Grant income	-	-	51,482.84	51,482.84
Sales, services, fines, & other	2,118.00	2,118.00	7,018.52	4,900.52
Total revenues	<u>181,983.00</u>	<u>181,983.00</u>	<u>323,400.44</u>	<u>141,417.44</u>
<u>Expenditures:</u>				
Personal services	84,200.00	84,200.00	92,286.82	(8,086.82)
Maintenance and operations	122,150.00	122,150.00	134,696.00	(12,546.00)
Other	141,552.00	141,552.00	-	141,552.00
Total expenditures	<u>347,902.00</u>	<u>347,902.00</u>	<u>226,982.82</u>	<u>120,919.18</u>
Excess of Revenues over/(under) expenditures	(165,919.00)	(165,919.00)	96,417.62	262,336.62
Fund balance, beginning	<u>194,397.80</u>	<u>194,397.80</u>	<u>194,397.80</u>	<u>-</u>
Fund balance, end of year	<u>\$ 28,478.80</u>	<u>\$ 28,478.80</u>	<u>\$290,815.42</u>	<u>\$ 262,336.62</u>
Amount reported for general fund cash fund balance in the Balance Sheet of Governmental Funds is different because this schedule is prepared on a regulatory basis of accounting.				
Capital outlay			(14,500.00)	
Transfers			<u>(4,597.54)</u>	
Fund balance - general fund			<u>\$271,717.88</u>	

The accompanying notes are an integral part of these financial statements

TOWN OF WELCH, STATE OF OKLAHOMA
NOTES TO THE VOLUNTARY SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023

Budgetary Accounting

The Town prepares its budget for the General Fund on the cash basis of accounting. All unexpended appropriations lapse at year-end.



Certified Public Accountants, PLLC

124 S. Main Street, Miami, Oklahoma 74354

22 South Adair, Pryor, Oklahoma 74361

918-542-4401

**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 Town Council
Town of Welch, State of Oklahoma

We have audited the accompanying modified cash-basis financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Town of Welch, State of Oklahoma, as of and for the year ended June 30, 2023, which collectively comprise the Town of Welch, State of Oklahoma's basic financial statements, and the related notes to the financial statements, and have issued our report thereon, dated February 5, 2024.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning, and performing, our audit, we considered the Town of Welch, State of Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures, 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 Welch, State of Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Welch, State of Oklahoma's internal control over financial reporting.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompany schedule of findings. We consider the following to be a significant deficient: 2023-1.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town of Welch, State of Oklahoma's financial statements 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*.

TOWN OF WELCH, STATE OF OKLAHOMA'S RESPONSE TO FINDINGS

Town of Welch, State of Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings. Town of Welch, State of Oklahoma'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 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.

A handwritten signature in cursive script that reads "Ober & Littlefield, PLLC".

OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA

FEBRUARY 5, 2024

PRIOR YEAR AUDIT FINDINGS

Internal Control over Financial Reporting

2022 – 1: Segregation of Duties

Criteria – The segregation of incompatible financial duties is important to adequately protect the Town’s assets and ensure accurate financial reporting.

Condition - Currently, the individual responsible for receiving funds for the Town and the PWA is the same individual who is responsible for writing checks, signing checks, posting customer payments, and taking deposits to the bank. This condition was also reported in 2019, 2020, 2021, and 2022.

Recommendation - A finding regarding segregation of duties is a repeat finding. It is not financially feasible for the Town to expend resources hiring additional personnel for the sole purpose of remedying this finding. We recommend a Council member, that is not an authorized signer on any bank accounts, receive a copy of the bank statements directly from the banks and scan them for unusual activity. We recommend the reviewed bank statements are initialed by the reviewer and filed with the treasurer’s report after each Town meeting. This procedure would circumvent unauthorized transactions from occurring for an unnoticed, continual period of time.

Current Status – The Council is taking actions to address this finding.

CURRENT YEAR AUDIT FINDINGS:

Internal Control over Financial Reporting

2023 – 1: Segregation of Duties

Criteria – The segregation of incompatible financial duties is important to adequately protect the Town’s assets and ensure accurate financial reporting.

Condition - Currently, the individual responsible for receiving funds for the Town and the PWA is the same individual who is responsible for writing checks, signing checks, posting customer payments, and taking deposits to the bank. This condition was also reported in 2019, 2020, 2021, and 2022.

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