

Town of Bernice, Oklahoma

BASIC FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

DAVID CLANIN CPA PLLC

35988 OKLAHOMA 82, VINITA, OK 74301
(918) 519-8336 PHONE
(918) 512-4646 FAX
DAVID@CLANINCPA.COM

**Town of Bernice, Oklahoma
Town Officials
June 30, 2022**

Board of Trustees

Mayor	Amanda Markey
Member	Patrick Beehler
Member	Mark Ellison
Member	Peggy Weaver
Member	David Fuller

City Clerk/Treasurer & Court Clerk

Shawwna Epperson

PWA Clerk

Kathy Diffie

Town of Bernice, Oklahoma
Table of Contents

Independent Auditor's Report	1-2
Report Required by <i>Government Auditing Standards</i> : Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	3-4
Basic Financial Statements:	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position – Modified Cash Basis	5
Statement of Activities – Modified Cash Basis	6
<i>Fund Financial Statements</i>	
Balance Sheet - Governmental Funds – Modified Cash Basis	7
Reconciliation of Governmental Fund and Government-Wide Statement of Net Position – Modified Cash Basis	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds – Modified Cash Basis	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities – Modified Cash Basis	10
Statement of Net Position – Proprietary Fund – Modified Cash Basis	11
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund – Modified Cash Basis	12
Statement of Cash Flows – Proprietary Fund – Modified Cash Basis	13-14
Notes to the Financial Statements	15-29

Office:
35988 Oklahoma 82
Vinita, OK 74301
(918) 782-3773



Mailing:
P.O. Box 745
Langley, OK 74350
(918) 519-8336

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Bernice

Opinion

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Bernice as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Bernice'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 financial position of Town of Bernice, as of June 30, 2022, and the changes in its financial position and cash flows for the year then ended in accordance with the modified cash basis of accounting.

Basis for Opinion

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 Town of Bernice, 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 opinion.

Responsibilities of Management for the Financial Statements

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

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Town of Bernice'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.

Basis of Accounting

We draw attention to Note I 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2022, on our consideration of the Town of Bernice's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 of Bernice's internal control over financial reporting and compliance.

 CPA PLLC

August 8, 2022

Office:
35988 Oklahoma 82
Vinita, OK 74301
(918) 782-3773



Mailing:
P.O. Box 745
Langley, OK 74350
(918) 519-8336

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

To the Board of Trustees
Town of Bernice

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 major fund of the Town of Bernice, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise Town of Bernice's financial statements, and have issued our report thereon dated August 8, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "David Clam". To the right of the signature, the text "CPA PLLC" is written in a similar handwritten style.

August 8, 2022

Town of Bernice, Oklahoma
Statement of Net Position – Modified Cash Basis
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 483,311	\$ 407,210	\$ 890,521
Deposit with Third Party Administrator	177,257	-	177,257
Total Current Assets	<u>660,567</u>	<u>407,210</u>	<u>1,067,777</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	-	35,497	35,497
Capital Assets:			
Non-depreciable	78,918	-	78,918
Depreciable	677,782	572,578	1,250,360
Total Capital Assets, net	<u>756,700</u>	<u>572,578</u>	<u>1,329,278</u>
Total Noncurrent Assets	<u>756,700</u>	<u>608,075</u>	<u>1,364,775</u>
TOTAL ASSETS	<u>1,417,267</u>	<u>1,015,285</u>	<u>2,432,552</u>
LIABILITIES			
Current Liabilities:			
Current Portion of Notes Payable	-	4,217	4,217
Total Current Liabilities	<u>-</u>	<u>4,217</u>	<u>4,217</u>
Noncurrent Liabilities:			
Meter Deposits Payable	-	15,575	15,575
Notes Payable	-	222,899	222,899
Total Noncurrent Liabilities	<u>-</u>	<u>238,474</u>	<u>238,474</u>
TOTAL LIABILITIES	<u>-</u>	<u>242,691</u>	<u>242,691</u>
NET POSITION			
Net Investment in Capital Assets	756,700	345,462	1,102,162
Restricted	177,257	35,497	212,753
Unrestricted	483,311	391,635	874,946
TOTAL NET POSITION	<u>\$ 1,417,267</u>	<u>\$ 772,594</u>	<u>\$ 2,189,861</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Town of Bernice, Oklahoma
Statement of Activities – Modified Cash Basis
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government:							
Town Clerk/Treasurer	\$ 140,785	\$ -	\$ 56,411	\$ -	(84,374)	-	(84,374)
Personal Service	26,969	-	-	-	(26,969)	-	(26,969)
Total General Government	167,754	-	56,411	-	(111,343)	-	(111,343)
Public Safety and Judiciary:							
City Attorney	32,926	-	-	-	(32,926)	-	(32,926)
Fire	57,511	11,454	6,748	-	(39,308)	-	(39,308)
Fire Sales Tax	75,753	-	-	-	(75,753)	-	(75,753)
Municipal Court	23,940	-	-	-	(23,940)	-	(23,940)
Police	111,556	41,515	3,000	-	(67,041)	-	(67,041)
Total Public Safety and Judiciary	301,686	52,969	9,748	-	(238,968)	-	(238,968)
Transportation:							
Street and Alley	17,416	-	-	-	(17,416)	-	(17,416)
Culture, Parks and Recreation:							
Community Center	14,782	950	-	3,500	(10,332)	-	(10,332)
Total Culture, Parks & Recreation	14,782	950	-	3,500	(10,332)	-	(10,332)
Total Governmental Activities	501,637	53,919	66,160	3,500	(378,058)	-	(378,058)
Business-Type Activities:							
Utilities	177,026	190,255	-	-	-	13,229	13,229
Total	\$ 678,663	\$ 244,175	\$ 66,160	\$ 3,500	(378,058)	13,229	(364,829)
General Revenues:							
Taxes:							
Sales and Use Taxes					350,947	-	350,947
Fire Sales Tax					99,523	-	99,523
Franchise and Public Service Taxes					11,632	-	11,632
Motor Vehicle Collections					4,510	-	4,510
Alcoholic Beverage Tax					8,694	-	8,694
Gasoline Tax					691	-	691
Tobacco Tax					2,551	-	2,551
Investment Income					919	15	934
Donations					3,500	-	3,500
Sale of Property					43,507	47,086	90,593
Other Income (Expense)					29,952	(5,670)	24,283
Total General Revenues and Transfers					556,425	41,432	597,857
Change in Net Position					178,367	54,661	233,028
Net Position, Beginning of Year					1,238,900	717,933	1,738,533
Net Position, End of Year					\$ 1,417,267	\$ 772,594	\$ 1,971,561

The accompanying Notes to the Financial Statements are an integral part of this statement.

Town of Bernice, Oklahoma
Balance Sheet – Governmental Funds – Modified Cash Basis
June 30, 2022

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 483,311
Deposit with Third Party Administrator	177,257
Total Assets	<u>\$ 660,567</u>
 LIABILITIES AND FUND BALANCE	
Fund Balance:	
Nonspendable	\$ -
Assigned	177,257
Unassigned	483,311
Total Fund Balance	<u>660,567</u>
Total Liabilities and Fund Balance	<u>\$ 660,567</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Town of Bernice, Oklahoma
Reconciliation of Governmental Fund and Government-Wide Statement of Net Position – Modified
Cash Basis
June 30, 2022

Total Governmental Funds Balance	\$ 660,567
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,764,039 and the accumulated depreciation is \$1,086,257 for a net book value of \$756,700.	<u>756,700</u>
Net Position of Governmental Activities	<u><u>\$ 1,417,267</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Town of Bernice, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds –
Modified Cash Basis
For the Year Ended June 30, 2022

	General Fund
Revenues:	
Taxes	\$ 479,797
Grants	69,660
Charges for Services	11,454
Fines and Forfeitures	41,516
Donations	3,500
Investment Income	919
Sale of Property	43,507
Reimbursements	21,999
Miscellaneous	7,654
Total Revenues	<u>680,005</u>
Expenditures:	
General Government	
Town Clerk/Treasurer	26,969
Maintenance and Operation	137,944
Public Safety and Judiciary	
Fire	
Maintenance and Operations	17,387
Capital Outlay	58,239
County Funds - Maintenance and Operations	75,753
County Funds - Capital Outlay	17,728
Municipal Court	23,940
Police	
Maintenance and Operations	36,162
Personal	73,423
Capital Outlay	3,605
Town Attorney	32,926
Transportation	
Street and Alley	4,410
Parks and Recreation	
Community Center	11,181
Total Expenditures	<u>519,666</u>
Excess (Deficit) of Revenues over Expenditures	160,339
Fund Balance, Beginning of Year	500,228
Fund Balance, End of Year	<u>\$ 660,567</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Town of Bernice, Oklahoma
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Government-Wide Statement of Activities – Modified Cash
Basis
For the Year Ended June 30, 2022

Net Change in Fund Balances - Governmental Funds	\$	160,339
--	----	---------

Amounts reported for governmental activities in the Statement of Activities are different because:

In the governmental funds, capital outlays are reported as expenditures while in the government-wide statement of activities, depreciation expense is reported to allocate those expenditures over the life of the assets.

Capital asset purchases capitalized		83,569
Depreciation expense		<u>(65,541)</u>

Change in Net Position of Governmental Activities	\$	<u>178,367</u>
---	----	----------------

The accompanying Notes to the Financial Statements are an integral part of this statement.

Town of Bernice, Oklahoma
Statement of Net Position – Proprietary Fund – Modified Cash Basis
June 30, 2022

	Public Works Authority Enterprise Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 407,210
Noncurrent Assets:	
Restricted Assets:	
Cash and Cash Equivalents	35,497
Capital Assets:	
Property, Plant and Equipment, net	572,578
Total Noncurrent Assets	608,075
TOTAL ASSETS	1,015,285
LIABILITIES	
Current Liabilities:	
Current Portion of Notes Payable	\$ 4,217
Noncurrent Liabilities:	
Payable from Restricted Assets:	
Meter Deposits Payable	15,575
Notes Payable	222,899
Total Noncurrent Liabilities	238,474
TOTAL LIABILITIES	242,691
NET POSITION	
Net Investment in Capital Assets	345,462
Restricted	35,497
Unrestricted	391,635
TOTAL NET POSITION	\$ 772,594

The accompanying Notes to the Financial Statements are an integral part of this statement.

Town of Bernice, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund – Modified Cash
Basis
For the Year Ended June 30, 2022

	Public Works Authority Enterprise Fund
Operating Revenues	
Charges for Services - Water	\$ 190,255
Operating Expenses	
Chemicals	26,713
Contract Labor	34,719
Dues	3,892
Depreciation	35,989
Lab Tests	3,953
Maintenance and Repairs	6,383
Insurance	3,682
Office Expense	23,154
Payroll Taxes	1,804
Professional Fees	7,834
Rent	1,306
Salaries	20,855
Utilities	6,742
Total Operating Expenses	177,026
Operating Income (Loss)	13,229
Non-Operating Revenues (Expenses)	
Interest Income	15
Interest Expense	(7,120)
Rental Income	47,086
Miscellaneous Income	1,450
Total Non-Operating Revenues (Expenses)	41,432
Net Income (Loss)	54,661
Net Position, Beginning of Year	717,933
Net Position, End of Year	\$ 772,594

The accompanying Notes to the Financial Statements are an integral part of this statement.

Town of Bernice, Oklahoma
Statement of Cash Flows – Proprietary Fund – Modified Cash Basis
For the Year Ended June 30, 2022

	Public Works Authority Enterprise Fund
Cash Flows from Operating Activities	
Cash Inflows:	
Payments Received from Customers	\$ 190,255
Total Cash Provided	<u>190,255</u>
Cash Outflows:	
Payments for Salaries and Benefits	22,659
Payments for Goods and Services	<u>119,186</u>
Total Cash Used	<u>141,845</u>
Net Cash Provided (Used) by Operating Activities	<u>48,410</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	(102,389)
Principal Paid on Capital Debt	(4,099)
Interest Paid on Capital Debt	<u>(7,120)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(113,608)</u>
Cash Flows from Investing Activities	
Interest Received	15
Rental Income	47,086
Meter Deposits	1,475
Misc Income	<u>1,450</u>
Net Cash Provided (Used) by Investing Activities	<u>50,026</u>
Net Cash Inflow (Outflow) from All Activities	(15,171)
Cash and Cash Equivalents, Beginning of Year	<u>457,878</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 442,707</u></u>
Cash and Cash Equivalents	
Unrestricted	\$ 407,210
Restricted	<u>35,497</u>
	<u><u>\$ 442,707</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Town of Bernice, Oklahoma
Statement of Cash Flows – Proprietary Fund – Modified Cash Basis
For the Year Ended June 30, 2022

	Public Works Authority <u>Enterprise Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 13,229
Depreciation	<u>35,181</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 48,410</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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

I. Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of the Town's financial statements.

The Town's financial statements are prepared on the modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in generally accepted accounting principles.

A. Reporting Entity

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

Primary Government: Town of Bernice

Blended Component Unit: Bernice Public Works Authority

These financial statements present the activities of the Town 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.

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.

Blended Component Units

Component units that are blended into the reporting activity types of the Town's reports are presented below:

Component Unit	Brief Description/Inclusion Criteria	Reporting
Bernice Public Works Authority	Created to finance, develop, and operate the water services activities. The current Town Council serves as the governing body (Trustees). Any issuance of debt would require a two-thirds approval of the Town Council.	Enterprise Fund

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

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditure/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 expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Proprietary Fund

Enterprise Fund

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

Bernice Public Works Authority	Accounts for activities of the public trust in providing water and sewer services to the public.
--------------------------------	--

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

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The funds of the financial reporting entity are described below (continued):

Major and Non-Major Funds

Major: General Fund
 Proprietary Fund: Bernice Public Works Authority

Non-Major: None

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 and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applied to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental activities and business-type activities are presented using the modified cash basis of accounting. Under the modified cash basis of accounting nearly all elements of the income statement are recorded using the cash basis, and accounts receivable and inventory are not recorded in the balance sheet.

In the fund financial statements, governmental funds and proprietary funds are presented on the modified cash basis of accounting. Under this modified cash basis of accounting, revenues are recognized when they are received. Expenditures (including capital outlay) are recorded when they are paid rather than when the obligation is incurred.

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

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts and certificates of deposit of the Town. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Deposits with Third-Party Administrator

Certain sales tax revenues designated for the Fire Department are received and disbursed by the Delaware County Clerk. For the year ended June 30, 2022, \$90,523 was received and \$93,481 was disbursed by Delaware County on behalf of Town of Bernice Fire Department. The cash balance as of June 30, 2022 was \$177,257.

Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from other/due to other funds”.

Capital Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation.

Government-Wide Statements (continued)

Fixed assets are defined by the Town as assets with an initial, individual cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation.

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

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

Capital Assets (continued)

The range of estimated useful lives by type of asset is as follows:

Buildings	50-80 years
Improvements	20 years
Machinery and Equipment	5-50 years
Utility System	40 years
Infrastructure	20 years
Parks	50-100 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the promissory notes with RDA require that funds be held in a reserve account. Under the terms and provisions of the promissory notes, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the notes are outstanding.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable and capitalized lease obligations.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payments of principal and interest are reported as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

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

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

Equity Classifications

Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints places on the use of resources for specific purposed versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e, fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; or by law through constitutional provision or enabling legislation.

Committed fund balance represents amounts that are usable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts) but cannot be used for any other purpose unless the government removes or changes by taking action similar to that which imposed the commitment. The Town's Board of Trustees is the highest level of decision-making authority of the Town.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Net Position/Fund Balance (continued)

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

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

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

Equity Classifications (continued)

Resource Use Policy

It is in the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers the restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned or unassigned resources, including fund balances, are available, the Town considers committed, amounts to be spent first, followed by assigned amounts, and lastly, unassigned amounts.

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 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. The Town has committed ½ cent sales tax to the Public Works Authority to pay for the construction of the new Town Hall building. This ½ cent is paid to the Public Works Authority as rent.

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 from the vendors. The use taxes are allocated entirely to the General Fund. Use taxes collected by the State in June and July and received by the Town in July and August are included under the caption "Due from other governments."

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue 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:

**Town of Bernice, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2022**

I. Summary of Significant Accounting Policies (continued)

E. Revenues, Expenditures, and Expenses (continued)

Expenditures/Expenses (continued)

Governmental Funds – By Character: Current (further classified by function), Debt Service, Capital Outlay

Proprietary Funds – By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

II. Stewardship, Compliance and Accountability

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

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>
Utility Authority Fund	Trust Indenture

B. Deposit and Investments 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 III A., all deposits were fully insured or collateralized.

C. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Special Sales Tax	Fire Department Purposes
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Water Revenue	Debt Service and Utility Operations

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

II. Stewardship, Compliance and Accountability (continued)

C. Revenue Restrictions (continued)

For the year ended June 30, 2022, the Town complied, in all material respects, with these revenue restrictions.

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, 2022, the Town had no outstanding general obligation debt.

Other Long-Term Debt

Except as noted in the following paragraph, 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, 2022, the Town incurred no such indebtedness.

Notes Payable

The various loan agreements relating to the notes payable issuances of Bernice Public Works Authority contain some financial restrictions or covenants. These include covenants such as the required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2022.

<u>Requirement</u>	<u>Level of Compliance</u>
Reserve Account Requirement (RDA Loan Agreements)	
Account balance should be equal to \$10,620.00 or 12 months of debt service payments.	Account balance at June 30, 2022 is \$19,922.

With regards to the compliance requirement, the Authority has an excess of \$9,302 in the Debt Reserve Account.

Meter Deposits Payable

The Bernice Public Works Authority is required to have reserved funds available for the amount of meter deposits held. The following is a brief summary of the requirements and the Authority's level of compliance thereon as of June 30, 2022.

<u>Requirement</u>	<u>Level of Compliance</u>
Reserve Account Requirement	
Account balance should be equal to the total meter deposits payable of \$14,100.	Account balance at June 30, 2022 is \$15,560.

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

II. Stewardship, Compliance and Accountability (continued)

E. Fund Equity Restrictions

Deficit Prohibition

Title 11, Section 17-211 of the 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, 2022.

III. Detailed Notes on Transaction Classes/Accounts

A. Cash and Investments

Authorized Investments

Town policy for eligible investments is governed by State statutes which, in general, allow the Town to invest in obligations of the United States and insured or collateralized Certificate of Deposits. Investment income is recorded in the fund in which it is earned.

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 are maintained in financial institutions. As of June 30, 2022, none of the Town's deposits were exposed to custodial credit risk.

Interest rate risk: This 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.

B. Restricted Assets

The amounts reported as restricted assets are comprised of cash held in trust on behalf of the Public Works Authority related to their required note payable reserve account and amounts held in trust for customer utility meter deposits.

The restricted assets as of June 30, 2022 are as follows:

Meter Deposits	\$	15,560
Reserve Accounts		19,937
Total	\$	<u>35,497</u>

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

III. Detailed Notes on Transaction Classes/Accounts (continued)

C. Capital Assets

Capital asset activity for the year was as follows:

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 78,915	\$ -	\$ -	\$ 78,915
Depreciable assets:				
Parks	5,993	3,997	-	9,990
Buildings/Improvements	342,502	14,460	-	356,962
Machinery and Equipment	1,331,975	65,112	-	1,397,087
	1,680,470	83,569	-	1,764,039
Accumulated Depreciation:	(1,020,716)	(65,541)	-	(1,086,257)
Depreciable assets, net	659,754	18,028	-	677,782
Net Capital Assets	\$ 738,669	\$ 18,028	\$ -	\$ 756,697
Business-Type Activities:				
Depreciable assets:				
Water System	\$ 843,009	\$ 102,389	\$ -	\$ 945,398
Buildings	466,666	-	-	466,666
Equipment	19,745	-	-	19,745
Furniture and Fixtures	7,271	-	-	7,271
Total	1,336,691	102,389	-	1,439,080
Accumulated Depreciation:				
Water System	(704,677)	(11,038)	-	(715,715)
Buildings	(105,331)	(23,154)	-	(128,485)
Equipment	(14,042)	(989)	-	(15,031)
Furniture and Fixtures	(7,271)	-	-	(7,271)
	(831,321)	(35,181)	-	(866,502)
Depreciable assets, net	505,370	67,208	-	572,578
Net Capital Assets	\$ 505,370	\$ 67,208	\$ -	\$ 572,578

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

III. Detailed Notes on Transaction Classes/Accounts (continued)

C. Capital Assets (continued)

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 2,841
Public Safety and Judiciary	
EMS	510
Fire	40,124
Police	5,459
Parks and Recreation	1,221
Community Center	2,380
Street and Alley	13,006
Total Depreciation Expense	<u>\$ 65,541</u>

D. 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.

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

III. Detailed Notes on Transaction Classes/Accounts (continued)

D. Long-Term Debt (continued)

Business-Type Activities

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

A construction note payable (#97-04) due to the Rural Development Authority in the principal amount of \$252,000, for the construction of the City Hall building, was approved on June 30, 2016. The note bears interest at 2.875% with monthly installments of \$885.

The note matures as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 4,217	\$ 6,403	\$ 10,620
2024	4,339	6,281	10,620
2025	4,464	6,156	10,620
2026	4,593	6,027	10,620
2027	4,726	5,894	10,620
2028-2032	25,756	27,344	53,100
2033-2037	29,696	23,404	53,100
2038-2042	34,238	18,862	53,100
2043-2047	39,475	13,625	53,100
2048-2052	42,132	10,968	53,100
2053-2057	46,771	6,329	53,100
2058	391	12	403
Totals	<u>\$ 240,798</u>	<u>\$ 131,305</u>	<u>\$ 372,103</u>

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

III. Detailed Notes on Transaction Classes/Accounts (continued)

E. 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, 2022:

	Balance June 30, 2021	Proceeds	Payments	Balance June 30, 2022	Due Within One Year
Business-Type Activities:					
Notes Payable	\$ 231,215	\$ -	\$ 4,099	\$ 227,116	\$ 4,217

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Town purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public official's liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the prior years.

B. Employee Retirement System and Plan

All Town fire department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan, fire department personnel contribute 8% of base salary and the Town contributes an additional 13.0%. The OFPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414 or by calling 1-800-525-7461.

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

IV. Other Information (continued)

C. Contingent Liabilities

The Town of Bernice and Bernice Public Works Authority are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the town. While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the town.

D. Subsequent Events

Management has evaluated subsequent events through the date of the Independent Auditor's report, which is the date the financial statements were available to be issued.