

**TOWN OF BOWLEGS
SEMINOLE COUNTY, OKLAHOMA**

ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

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**Town of Bowlegs
Seminole County, Oklahoma
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Bowlegs

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Bowlegs, 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 Bowlegs, 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 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.

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 December 14, 2022, 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 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's internal control over financial reporting and compliance.

 CPA PLLC

December 14, 2022

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

To the Board of Trustees
Town of Bowlegs

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 Bowlegs, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise Town of Bowlegs financial statements, and have issued our report thereon dated December 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Bowlegs, 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’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’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'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 the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "David Clam CPA PLLC". The signature is written in a cursive style.

December 14, 2022

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash in bank	\$ 109,607	\$ 100,742	\$ 210,349
Total current assets	<u>109,607</u>	<u>100,742</u>	<u>210,349</u>
Noncurrent assets:			
Certificates of deposit	26,510	14,459	40,969
Capital assets, net of accumulated depreciation	32,848	675,373	708,221
Total noncurrent assets	<u>59,358</u>	<u>689,832</u>	<u>749,190</u>
Total Assets	<u><u>168,965</u></u>	<u><u>790,574</u></u>	<u><u>959,539</u></u>
Liabilities			
Current liabilities:			
Payroll withholding liabilities	1,627	455	2,082
Total current liabilities	<u>1,627</u>	<u>455</u>	<u>2,082</u>
Total Liabilities	<u><u>1,627</u></u>	<u><u>455</u></u>	<u><u>2,082</u></u>
Net position			
Net investment in capital assets	32,848	675,373	708,221
Restricted	-	-	-
Unrestricted	134,490	114,746	249,236
Total net position	<u><u>\$ 167,338</u></u>	<u><u>\$ 790,119</u></u>	<u><u>\$ 957,457</u></u>

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

Town of Bowlegs, Oklahoma
Statement of Activities – Modified Cash Basis
June 30, 2022

		Program Revenues					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:	Expenses						
Personal	\$ (19,154)	\$ -	\$ -	\$ -	\$ (19,154)	\$ -	\$ (19,154)
Maintenance and Operations	(26,769)	-	4,763	33,883	11,877	-	11,877
Total governmental activities	(45,923)	-	4,763	33,883	(7,277)	-	(7,277)
Business-type activities:							
Sewer	(28,138)	38,010	-	46,000	-	55,872	55,872
Total business-type activities	(28,138)	38,010	-	46,000	-	55,872	55,872
Total	\$ (74,061)	\$ 38,010	\$ 4,763	\$ 79,883	\$ (7,277)	\$ 55,872	\$ 48,595
Net (expense)/revenue							
General revenues:					\$ (7,277)	\$ 55,872	\$ 48,595
Taxes:							
Sales and use					37,278	-	37,278
Franchise					11,895	-	11,895
Alcohol					5,366	-	5,366
Tobacco					292	-	292
Motor vehicle					2,885	-	2,885
Gasoline					648	-	648
Interest income/(expense)					83	94	177
Miscellaneous income (expense)					1,676	-	1,676
Transfer of funds (net)					-	-	-
Total general revenues and transfers					60,123	94	60,217
Change in net assets					52,846	55,966	108,812
Net position, beginning					114,492	734,153	848,645
Net position, ending					\$ 167,338	\$ 790,119	\$ 957,457

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

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

Assets	<u>General Fund</u>
Current assets:	
Cash, including time deposits	\$ 109,607
Total current assets	<u>109,607</u>
Noncurrent assets:	
Certificates of deposit	26,510
Total noncurrent assets	<u>26,510</u>
Total Assets	<u><u>136,117</u></u>
Current liabilities:	
Payroll liabilities	<u>1,627</u>
Total current liabilities	<u>1,627</u>
Total Liabilities	<u>1,627</u>
Fund Equity:	
Assigned	-
Unassigned	134,490
	<u>\$ 134,490</u>

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

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

Reconciliation of the Government fund and Government-Wide Statement of Net Position - Modified Cash Basis

Total Governmental Funds Balance	\$	134,490
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 \$73,542, and the accumulated depreciation is \$40,694 for a net book value of \$32,848.		
		32,848
Long-term liabilities, including capitalized lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:		
Tractor Loan		-
Net Position of Governmental Activities	\$	167,338

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

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

	<u>General Fund</u>
Revenues:	
Tax Revenues	
Sales and use tax	\$ 37,278
Franchise	11,895
Alcohol	5,366
Tobacco	292
Motor vehicle	2,885
Gasoline	648
Grants	38,646
Miscellaneous	1,676
Interest income	83
Total revenues	98,769
Expenditures	
Personal services	19,154
Maintenance and operations	23,789
Debt service	284
Total expenditures	43,227
Net change in fund balances	55,542
Fund balances - beginning	78,948
Fund balances - ending	\$ 134,490

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

Town of Bowlegs, 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

Reconciliation of Revenues, Expenditures, and Changes in Fund Balance to the Government-Wide Statement of Activities - Modified Cash Basis

Net change in fund balances – total governmental funds	\$ 55,542
Amounts reported for Governmental Activities in the Statement of Activities 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 reports only a portion of the outlay as an 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.	(2,980)
Governmental funds report outflows for debt service as expenditures because such outflows use current financial resources. In contrast, the Statement of Activities reports only the interest portion of these outflows as an expense. The outflow for principle payments reduce the amount of the outstanding debt in the Statement of Net Position.	284
Change in net assets of governmental activities	<u><u>\$ 52,846</u></u>

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

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

	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 100,742
Total current assets	100,742
Noncurrent assets:	
Certificates of deposit	14,459
Capital assets, net of accumulated depreciation	675,373
Total assets	790,574
 LIABILITIES	
Current liabilities:	
Payroll liabilities	455
Total current liabilities	455
Total liabilities	455
 NET POSITION	
Net investment in capital assets	675,373
Restricted	-
Unrestricted	114,746
Total net position	\$ 790,119

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

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

	<u>Utility Fund</u>
Operating revenues	
Charges for services:	
Sewer	38,010
Total operating revenues	<u>38,010</u>
Operating expenses	
Personnel and benefits	8,685
Dues and subscriptions	869
Repairs and maintenance	945
Fuel	238
Supplies	710
Miscellaneous	1,313
Depreciation	<u>15,378</u>
Total operating expenses	<u>28,138</u>
Net operating income (loss)	<u>9,872</u>
Nonoperating revenues (expenses)	
Interest income	94
Grant income	<u>46,000</u>
Total nonoperating revenues (expenses)	<u>46,094</u>
Change in net assets	55,966
Net assets, beginning	<u>734,153</u>
Net assets, ending	<u>\$ 790,119</u>

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

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

Cash flows from operating activities	
Receipts from customers	\$ 38,010
Payments to suppliers	(4,030)
Payments to employees	<u>(8,678)</u>
Net cash provided (used) by operating activities	<u>25,302</u>
 Cash flows from capital and related financing activities:	
Proceeds from capital grants	<u>46,000</u>
Net cash provided (used) by capital and related financing activities	<u>46,000</u>
 Cash flows from non-capital and related financing activities:	
Transfers from other funds	<u>-</u>
	<u>-</u>
 Cash flows from investing activities	
Purchases of fixed assets	(36,213)
Interest income received	<u>94</u>
Net cash provided (used) by investing activities	<u>(36,119)</u>
 Net increase (decrease) in cash and cash equivalents	 35,183
 Cash and cash equivalents, beginning	 <u>65,559</u>
Cash and cash equivalents, ending	<u><u>\$ 100,742</u></u>

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

Town of Bowlegs, Oklahoma
Statement of Cash Flows – Proprietary Fund – Modified Cash Basis (continued)
For the Year Ended June 30, 2022

Reconciliation of operating income to net

Cash provided by operating activities	
Operating income	9,872
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation expense	15,378
Change in assets and liabilities	
Increase (decrease) in payroll liabilities	<u>52</u>
Total adjustments	<u>25,302</u>
Net cash provided (used) by operating activities	<u><u>\$ 25,302</u></u>

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

Town of Bowlegs, 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 of Bowlegs, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a town form of government and is governed a board of trustees. The Town provides the following services: general government, public safety (fire), and public works (sewer) for the geographical area organized as the Town of Bowlegs, Oklahoma.

Component Units

For financial reporting purposes, the Town includes all component units that are controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Town, obligation of the Town to finance any deficit which may occur, or receipt of significant subsidies from the Town. Based on the foregoing criteria, the Town of Bowlegs Public Works Authority is blended into the Town's financial statements.

Due to restrictions of the State Constitution relating to the issuance of municipal debt, the Town created a public trust to finance Town services with revenue bonds or other non-general obligation financing. Financing services provided by the public trust are solely for the benefit of the Town. The public trust created to provide financing services is blended into the Town's primary government although retaining separate legal identity.

The Town of Bowlegs Public Works Authority is a public trust created under authority of and pursuant to the provisions of Sections 176-180, inclusive, of Title 60, Oklahoma Statutes 1981, and Oklahoma Trust Act, which declaration of trust is recorded in the office of the County Clerk, Seminole County, Oklahoma.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and statement of activities) report information on activities of the primary government and its component units. Government activities, which normally are supported by taxes and intergovernmental revenues, and other non-exchange transaction are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

The government-wide financial statements are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and change 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.

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

I. Summary of Significant Accounting Policies (continued)

B. Description of Government-Wide Financial Statements (continued)

Only cash (and cash equivalents) and items that involve the receipt or disbursement of cash (or cash equivalents) during the period are recognized, except for the following modifications:

- (1) Interfund receivables and payables that arise from transactions and events involving cash or cash equivalents are recognized.
- (2) Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents are recognized; and
- (3) Liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirement are recognized.

As a result of the use of this modified cash basis of accounting, certain transactions are not recorded in the financial statements. For example, accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables. Additionally, capital assets such as property, equipment, and infrastructure are not reported and long-term liabilities such as debt and compensated absences are also not reported.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided from government funds and proprietary funds.

The government-wide financial statements are presented on the modified cash basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are two categories of funds: governmental and proprietary.

Governmental Funds – used to account for the Town's general activities. Governmental fund types use the flow of current financial resources measurement focus and the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenue, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

I. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements (continued)

Fund Accounting

As a result of the use of this modified cash basis of accounting, certain assets and their related revenue and certain liabilities and their related expenses are not recorded in these financial statements.

The following are Town’s major funds:

- General Fund – Accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Enterprise Funds (Proprietary Funds) – Used for operations: (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

E. Assets, Liabilities and Equity

Cash and Cash Equivalents

For the purpose of the Statement of Net Position – Modified Cash Basis, “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 – Modified Cash Basis, “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.

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. The Town of Bowlegs currently has no capitalization policy.

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 Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation.

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

Buildings	20-60 years
Improvements	20-60 years
Machinery and Equipment	3-20 years
Sewer System	20-60 years
Infrastructure	20-60 years

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

I. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Equity (continued)

Capital Assets (continued)

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.

Long-Term Debt

The Town had no long-term debt as of June 30, 2022.

Equity Classifications

Net Position/Fund Balance

In the government-wide financial statement, net assets represent 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.

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

I. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Equity (continued)

Equity Classifications (continued)

Net Position/Fund Balance (continued)

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.

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.

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.

F. 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.

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.

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

I. Summary of Significant Accounting Policies (continued)

F. Revenues, Expenditures and Expenses (continued)

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:

- 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.

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.

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>
Public Works Authority	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.

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, 2022, the Town and its public trusts complied, in all material respects, with these investment restrictions.

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

II. Stewardship, Compliance and Accountability (continued)

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>
Gasoline Excise Tax	Street and Alley Purposes
Utility Revenue	Debt Service and Utility Operations

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.

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 – Deposit: 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, 2022, the Town and Public Works were fully collateralized.

B. Restricted Assets

The Town has no restricted net assets.

Town of Bowlegs, 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:

Governmental Activities

	2021	Additions	Dispositions	2022
Buildings	\$ 37,900	\$ -	\$ -	\$ 37,900
Equipment	35,642	-	-	35,642
Total Property, Plant, and Equipment	73,542	-	-	73,542
Accumulated Depreciation	(37,714)	(2,980)	-	(40,694)
Net book value	<u>\$ 35,828</u>	<u>\$ (2,980)</u>	<u>\$ -</u>	<u>\$ 32,848</u>

Business Type Activities

	2021	Additions	Dispositions	2022
Lagoon System	\$ 797,232	\$ 36,213	\$ -	\$ 833,445
Total Property, Plant, and Equipment	797,232	36,213	-	833,445
Accumulated Depreciation	(141,765)	(16,307)	-	(158,072)
Net book value	<u>\$ 655,467</u>	<u>\$ 19,906</u>	<u>\$ -</u>	<u>\$ 675,373</u>

C. Capital Assets (continued)

Depreciation expense was charged to governmental activities as follows:

General Government \$ 2,980

D. Long-Term Debt

The Town and PWA had no long-term debt as of June 30, 2022.

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

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 officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

The governing board of the Town is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

C. Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

