

Town of Ochelata
Washington County, Oklahoma

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended
June 30, 2020

Town of Ochelata
Washington County, Oklahoma

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Independent Auditor's Report

Town of Ochelata

To Management:

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Ochelata as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Ochelata, as of June 30, 2020, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describe 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 opinion is not modified with respect to this matter.

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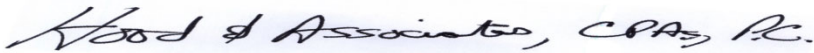
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2021, on our consideration of the Town of Ochelata 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ochelata internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Hood & Associates, CPAs, PC." The signature is written in a cursive, flowing style.

Hood & Associates CPAs, PC

May 11, 2021



Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Town of Ochelata, Oklahoma

We have audited , in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Ochelata, as of and for the year ended June 30, 2020, which collectively comprise the Town of Ochelata's basic financial statements and have issued our report thereon dated May 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Ochelata, Ochelata, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ochelata, Ochelata, Oklahoma's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2020-1 and 2020-2 to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items Finding 2020-1 and 2020-2 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ochelata'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Town of Ochelata, Oklahoma's Response to Findings

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

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Purpose of this Report

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

A handwritten signature in blue ink that reads "Hood & Associates, CPAs, PC." The signature is written in a cursive, flowing style.

Hood & Associates CPAs, PC

May 11, 2021

Town of Ochelata
Washington County, Oklahoma
Statement of Net Position – Modified Cash Basis
Government Wide
June 30, 2020

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 548,872.99	\$ 296,125.34	\$ 844,998.33
Due from other funds	<u>9,230.00</u>		<u>9,230.00</u>
Total Current Assets	<u>558,102.99</u>	<u>296,125.34</u>	<u>854,228.33</u>
Non-current Assets:			
Restricted Assets:			
Cash and Cash Equivalents		24,759.93	24,759.93
Capital Assets:			
Property, Plant & Equipment, net	<u>369,337.00</u>	<u>2,907,371.00</u>	<u>3,276,708.00</u>
Total Non-current Assets	<u>369,337.00</u>	<u>2,932,130.93</u>	<u>3,301,467.93</u>
Total Assets	<u>927,439.99</u>	<u>3,228,256.27</u>	<u>4,155,696.26</u>
LIABILITIES			
Current Liabilities:			
Due to other funds		9,230.00	9,230.00
Customer Deposits		24,470.00	24,470.00
Current Portion of Long Term Debt		<u>109,666.00</u>	<u>109,666.00</u>
Total Current Liabilities	<u>0.00</u>	<u>143,366.00</u>	<u>143,366.00</u>
Non-current Liabilities:			
Notes Payable		<u>793,787.72</u>	<u>793,787.72</u>
Total Liabilities	<u>0.00</u>	<u>988,929.39</u>	<u>988,929.39</u>
NET POSITION			
Invested in capital assets,			
net of related debt	369,337.00	1,942,911.61	2,312,248.61
Unrestricted	495,050.95	296,125.34	791,176.29
Restricted:			
Meter Deposit Funds		289.63	289.63
Other Governmental Funds	<u>63,052.04</u>		<u>63,052.04</u>
Total Net Position	<u>\$ 927,439.99</u>	<u>\$ 2,239,326.88</u>	<u>\$ 3,166,766.87</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Ochelata
Washington County, Oklahoma
Statement of Activities – Modified Cash Basis
Government Wide
June 30, 2020

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating/Capital Grants and Contributions</u>	<u>Net (Expense) Revenues</u>
<u>Functions/Programs:</u>				
Primary Government:				
General Government	\$ 110,309.73	\$ 283.64	\$ 0.00	\$ (110,026.09)
Cemetery Department	11,459.13	14,805.00	0.00	3,345.87
Street Department	4,179.77	0.00	0.00	(4,179.77)
Total Governmental Activities	125,948.63	15,088.64	0.00	(110,859.99)
Business-Type Activities:				
Municipal Authority	537,799.20	496,407.75	0.00	(41,391.45)
Total Town of Ochelata	\$ 663,747.83	\$ 511,496.39	\$ 0.00	\$ (152,251.44)

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Changes in Net Assets:			
Net (expense) revenue	\$ (110,859.99)	\$ (41,391.45)	\$ (152,251.44)
General revenues:			
Taxes:			
Sales Tax	181,969.72		181,969.72
Use Tax			
Alcoholic Beverage Tax	2,123.19		2,123.19
Franchise Tax	16,770.22		16,770.22
Cigarette Tax	1,678.13		1,678.13
Restricted for transportation purposes:			
Motor Vehicle Tax	2,978.71		2,978.71
Wastewater Tax			
Gasoline Tax	750.40		750.40
Sale/Rental of Property			
Transfers	2,000.00	(2,000.00)	0.00
Interest income	2,855.17	368.94	3,224.11
Total revenues	211,125.54	(1,631.06)	209,494.48
Change in Net Assets	100,265.55	(43,022.51)	57,243.04
Net Position-beginning	827,174.44	2,282,349.39	3,109,523.83
Net Position -ending	\$ 927,439.99	\$ 2,239,326.88	\$ 3,166,766.87

The accompanying notes are an integral part of the combined financial statements.

Town of Ochelata
Washington County, Oklahoma
Balance Sheet – Modified Cash Basis
Governmental Funds
June 30, 2020

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS			
Cash	\$ 485,820.95	\$ 63,052.04	\$ 548,872.99
Due from other funds	<u>9,230.00</u>		<u>9,230.00</u>
Total Assets	<u><u>\$ 495,050.95</u></u>	<u><u>\$ 63,052.04</u></u>	<u><u>\$ 558,102.99</u></u>
 LIABILITIES & FUND BALANCES			
Fund Balances:			
Unassigned	\$ 495,050.95	\$	\$ 495,050.95
Assigned		<u>63,052.04</u>	<u>63,052.04</u>
Total Fund Balances	<u><u>495,050.95</u></u>	<u><u>63,052.04</u></u>	<u><u>558,102.99</u></u>
Total Liabilities & Fund Balances	<u><u>\$ 495,050.95</u></u>	<u><u>\$ 63,052.04</u></u>	<u><u>\$ 558,102.99</u></u>

The accompanying notes are an integral part of the combined financial statements.

Town of Ochelata
Washington County, Oklahoma
Reconciliation of Governmental Funds Balance Sheet – Modified Cash Basis
to the Statement of Net Position
June 30, 2020

Total Fund Balances – Governmental Funds	\$ 558,102.99
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Amounts reported for governmental activities in the statement of net assets are different
Because:

Capital lease payable	0.00
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Capital assets used in governmental activities are not financial resources and
Therefore are not reported in the funds. These assets consist of:

Property and Equipment, net of depreciation	<u>369,337.00</u>
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Net Position of Governmental Activities	<u><u>\$ 927,439.99</u></u>
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The accompanying notes are an integral part of the combined financial statements.

Town of Ochelata
Washington County, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis
Governmental Funds
June 30, 2020

	General Fund	Other Governmental Funds	Totals
REVENUES			
Charges for Services	\$	\$ 175.00	\$ 175.00
Investment Income	2,304.34	550.83	2,855.17
Donations		1,130.00	1,130.00
Sales of Property		13,500.00	13,500.00
Miscellaneous	283.64		283.64
Taxes – Beverage	2,123.19		2,123.19
Taxes – Cigarette	1,678.13		1,678.13
Taxes – Franchise	16,770.22		16,770.22
Taxes – Gas		750.40	750.40
Taxes – Vehicle		2,978.71	2,978.71
Taxes - Sales	<u>181,969.72</u>		<u>181,969.72</u>
Total Revenues	<u>205,129.24</u>	<u>19,084.94</u>	<u>224,214.18</u>
EXPENDITURES			
Current:			
Personal Services	18,775.79		18,775.79
Maintenance & Operation	75,018.94	15,638.90	90,657.84
Capital Outlay			0.00
Total Expenditures	<u>93,794.73</u>	<u>15,638.90</u>	<u>109,433.63</u>
Excess (deficit) of revenues over expenditures			
Before operating transfers in and out	111,334.51	3,446.04	114,780.55
Transfers in (Out)	<u>(916.41)</u>	<u>2,916.41</u>	<u>2,000.00</u>
Excess (deficit) of revenues over expenditures	110,418.10	6,362.45	116,780.55
Fund Balance-Beginning	<u>384,632.85</u>	<u>56,689.59</u>	<u>441,322.44</u>
Fund Balance-Ending	<u>\$ 495,050.95</u>	<u>\$ 63,052.04</u>	<u>\$ 558,102.99</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Ochelata
Washington County, Oklahoma
Reconciliation of Change in Fund Balances of Governmental Funds – Modified Cash Basis
to the Statement of Activities
June 30, 2020

Net Change in Fund Balances – Total Governmental Funds	\$ 116,780.55
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Amounts reported for governmental activities in the statement of activities are different because:

Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlays and Lease Payments	0.00
Depreciation Expenses	<u>(16,515.00)</u>

Change in Net Assets of Governmental Activities	\$ <u>100,265.55</u>
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The accompanying notes are an integral part of the combined financial statements.

Town of Ochelata
Washington County, Oklahoma
Statement of Net Position – Modified Cash Basis
Proprietary Funds-Enterprise Funds
June 30, 2020

	<u>Utility Authority</u>	<u>Economic Dev.</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 168,681.13	\$ 127,444.21	\$ 296,125.34
Non-current Assets:			
Restricted Assets:			
Cash and Cash Equivalents	24,759.93		24,759.93
Capital Assets:			
Property, plant and equipment, net of accumulated depreciation	<u>2,370,238.00</u>	<u>537,133.00</u>	<u>2,907,371.00</u>
Total Non-current Assets	<u>2,394,997.93</u>	<u>537,133.00</u>	<u>2,932,130.93</u>
Total Assets	<u>2,563,679.06</u>	<u>664,577.21</u>	<u>3,228,256.27</u>
LIABILITIES			
Current Liabilities:			
Due to other funds	9,230.00		9,230.00
Customer Deposits	24,470.00		24,470.00
Current Portion of Notes Payable	<u>44,412.00</u>	<u>65,254.00</u>	<u>109,666.00</u>
Total Current Liabilities	33,700.62	65,254.00	143,366.62
Long Term Liabilities:			
Note Payable	<u>505,122.20</u>	<u>288,665.52</u>	<u>793,787.72</u>
Total Liabilities	<u>583,234.82</u>	<u>353,919.52</u>	<u>937,154.34</u>
NET POSITION			
Invested in capital assets, net of related debt	1,820,703.80	183,213.48	2,003,917.28
Restricted	289.93		289.63
Unrestricted	<u>159,450.51</u>	<u>127,444.21</u>	<u>286,894.72</u>
Total Net Position	<u>\$ 1,980,444.24</u>	<u>\$ 310,657.69</u>	<u>\$ 2,291,101.93</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Ochelata
Washington County, Oklahoma
Statement of Revenues, Expenses and
Changes in Fund Net Position – Modified Cash Basis
Proprietary Funds
June 30, 2020

	<u>Utility Authority</u>	<u>Economic Dev.</u>	<u>Totals</u>
<u>Operating Revenues:</u>			
Sales – Water	\$ 211,953.43	\$	\$ 211,953.43
Sales – Trash	72,808.40		72,808.40
Sales – Sewer	80,356.18		80,356.18
Rental Income		71,165.09	71,165.09
Other Revenues	<u>53,468.17</u>	<u>6,656.48</u>	<u>60,124.65</u>
Total Operating Revenues	<u>418,586.18</u>	<u>77,821.57</u>	<u>496,407.75</u>
 <u>Operating Expenses:</u>			
Personal services			
Salaries and payroll expenses	49,015.17		49,015.17
Fuel and Gas	566.37		566.37
Insurance and bonds	2,426.00		2,426.00
Depreciation	116,009.00	21,875.00	137,884.00
Miscellaneous	1,541.81		1,541.81
Office supplies	1,880.22	70.00	1,950.22
Trash services	68,273.19		68,273.19
Outside services	57,660.78		57,660.78
Utilities/telephones	15,543.95		15,543.95
Water purchased	134,917.38		134,917.38
Repairs and maintenance	<u>19,371.54</u>		<u>19,371.54</u>
Total Operating Expenses	<u>467,205.41</u>	<u>21,945.00</u>	<u>489,150.41</u>
 Operating Income	<u>(48,619.23)</u>	<u>55,876.57</u>	<u>7,257.34</u>
 <u>Non-Operating Revenues (Expenses):</u>			
Wastewater tax revenues			
Interest revenues	266.70	102.24	368.94
Transfers out	(2,000.00)		(2,000.00)
Interest expenses	<u>(25,399.84)</u>	<u>(23,248.95)</u>	<u>(48,648.79)</u>
Total Non-Operating Revenues (Expenses)	<u>(27,133.14)</u>	<u>(23,146.71)</u>	<u>(86,259.49)</u>
 Change in Net Assets	(75,752.37)	32,729.86	(104,028.18)
Total Net Position-Beginning	<u>2,056,196.61</u>	<u>277,927.83</u>	<u>2,334,124.44</u>
Total Net Position-Ending	<u>\$ 1,980,444.24</u>	<u>\$ 310,657.69</u>	<u>\$ 2,291,101.93</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Ochelata
Washington County, Oklahoma
Statement of Cash Flows – Modified Cash Basis
Proprietary Fund Type - Enterprise Fund
For the Year Ended June 30, 2020

	<u>Utility Authority</u>	<u>Economic Dev.</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash inflows:			
Cash received from customers	\$ 418,586.18	\$ 77,821.57	\$ 496,407.75
Cash outflows:			
Cash paid for personal services	49,015.17		49,015.17
Payments for supplies and other goods and services	301,593.16	70.00	301,663.16
Total cash outflows	350,608.33	70.00	350,678.33
Net Cash Provided (Used) by Operating Activities	67,977.85	77,751.57	145,729.42
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Transfers out	(2,000.00)	0.00	(2,000.00)
Net Cash Provided (Used) by NonCapital Financial Activities	-		
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Interest paid on capital debt	(41,460.93)	(61,005.67)	(102,466.60)
Principal paid on capital debt	(25,399.84)	(23,248.95)	(48,648.79)
Net Cash Provided (Used) by Capital and Related Financing Activities	(66,860.77)	(84,254.62)	(151,115.39)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest and dividends on investments	266.70	102.24	368.94
Net increase (decrease) in cash	(616.22)	(6,400.81)	(7,017.03)
Cash and cash equivalents, beginning of year	194,057.28	133,845.02	327,902.30
Cash and cash equivalents, end of year	\$ 193,441.06	\$ 127,444.21	\$ 320,885.27
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by</u>			
<u>Operating Activities:</u>			
Operating income	\$ (48,619.23)	\$ 55,876.57	\$ 7,257.34
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	116,009.00	21,875.00	137,884.00
Net changes in assets and liabilities:			
Other Accrued Liabilities	(50.48)	0.00	(50.48)
Meter deposits payable	638.56	0.00	638.56
Net cash provided (used) by operating activities	\$ 67,977.85	\$ 77,751.57	\$ 145,729.42

The accompanying notes are an integral part of the combined financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Town of Ochelata
Washington County, Oklahoma
Notes to the Financial Statements
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

As discussed further in Note 1, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurements and recognition criteria of the modified cash basis of accounting.

Reporting Entity

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

Primary Government:	Town of Ochelata
Blended Component Unit:	Ochelata Utilities Authority Ochelata Development Authority

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

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's fund is blended into those of the Town's by appropriate activity type to comprise the primary government presentation.

Component Unit	Brief Description/Inclusion Criteria	Reporting
Ochelata Utilities Authority	Created to finance, develop and operate the water and sewer services activities.	Enterprise Fund
Ochelata Development Authority	Created to finance and develop economics.	Enterprise Fund

Town of Ochelata
Washington County, Oklahoma
Notes to the Financial Statements
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds each of which is considered to be 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. Fund 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 expenditures/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.

GOVERNMENTAL FUNDS

General Fund. This is the Town's primary operating fund. It accounts for all financial resources of the general government , except those required to be accounted for in another fund.

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

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:

Ochelata Utilities Authority	Accounts for activities of the public trust in providing water and sewer services to the public.
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MAJOR AND NON-MAJOR FUNDS

<i>Major:</i>	General fund Proprietary Fund: Ochelata Utility Authority Proprietary Fund: Ochelata Economic Development Authority
<i>Non-Major:</i>	Street & Alley Fund Cemetery Fund Park Fund Cemetery Care Fund

Town of Ochelata
Washington County, Oklahoma
Notes to the Financial Statements
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus, Basis of Accounting

Measurement focus is a term used to describe “when” 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

The government-wide Statement of Net Assets 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

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

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

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

Cash and Investments

For the purpose of Statement of Net Assets, “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.

Town of Ochelata
Washington County, Oklahoma
Notes to the Financial Statements
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Equity Classifications

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.
- d. Assigned fund balance – amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted or committed.
- e. Nonspendable fund balance – the amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained in tact.
- f. Unassigned fund balance – the fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purpose within the general fund.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, the unreserved further split between designated. Proprietary fund equity is classified the same as in the government-wide statements.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales, use and franchise taxes. Business-type activities report water and sewer charges as its major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

Town of Ochelata
Washington County, Oklahoma
Notes to the Financial Statements
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fixed 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.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50-75
Building improvements	50-75
Vehicles	5-7
Equipment	5-7

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 government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Restricted assets include funds on deposit representing utility customer meter deposits which are refundable to the customer and funds on deposit required to be reserved by terms of promissory notes.

Revenues, Expenditures and Expenses

SALES TAX

The town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately on month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the Town in July and August have been accrued and are included under the caption "Due from other governments".

Town of Ochelata
Washington County, Oklahoma
Notes to the Financial Statements
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 expense 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, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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>
Ochelata Utilities Authority	Trust Indenture
Ochelata Economic Development Authority	Trust Indenture

Town of Ochelata
Washington County, Oklahoma
Notes to the Financial Statements
June 30, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The Town's cash deposits, including interest-bearing certificates of deposit are maintained in financial institutions. Those deposits are classified as to credit risk by the following three categories:

- Category 1 - Insured by Federal Deposit Insurance or direct obligations of U.S. Government
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- Category 3 - Uncollateralized.

	Category			Bank Balance
	1	2	3	
Town Cash	<u>\$ 844,998.33</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 844,998.33</u>

Deposits and Investment Laws and Regulations

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

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

- 1- Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
- 2- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;
- 3- With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;

Town of Ochelata
Washington County, Oklahoma
Notes to the Financial Statements
June 30, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont.d)

Deposits and Investment Laws and Regulations (cont.d)

- 4- County, municipal or school Town tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school Town;
- 5- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of national mortgage associations;
- 6- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

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, 2020, the Town and its public trusts complied, in all material respects, with these investment restrictions.

Revenue Restrictions

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

Revenue Source

Gasoline Excise Tax

Commercial Vehicle Tax

Water and Sewer Revenue

Legal Restrictions of Use

Street and Alley Purposes

Street and Alley Purposes

Debt Service and Utility Operations

For the year ended June 30, 2020 the Town complied, in all material respects, with those revenue restrictions.

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, 2020, 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, 2020, the Town incurred no such indebtedness.

Town of Ochelata
Washington County, Oklahoma
Notes to the Financial Statements
June 30, 2020

NOTE 3: DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (cont.d)

Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 47,300	\$	\$	\$ 47,300
<i>Capital assets being depreciated:</i>				
Infrastructure	357,658			357,658
Building	38,179			38,179
Furniture/fixtures	7,454			7,454
Equipment	<u>107,129</u>			<u>107,129</u>
Total capital assets being depreciated	557,720	<u>\$ 0</u>	<u>\$ 0</u>	557,720
Less accumulated depreciation	<u>188,383</u>	<u>\$ 16,515</u>	<u>\$ 0</u>	<u>204,898</u>
Governmental activity capital assets, net	<u>\$ 369,337</u>			<u>\$ 352,822</u>
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Equipment	\$ 67,591	\$	\$	\$ 67,591
Buildings	660,065			660,065
Water System	692,310			692,310
Sewer System	<u>3,310,536</u>			<u>3,310,536</u>
Total capital assets being depreciated	4,730,502	<u>\$ 0</u>	<u>\$ 0</u>	4,730,502
Less accumulated depreciation	<u>1,685,247</u>	<u>\$ 137,884</u>	<u>\$ 0</u>	<u>1,823,131</u>
Business-type activity capital assets, net	<u>\$3,045,255</u>			<u>\$ 2,907,371</u>

Restricted Assets

Reserves are meter deposits held for customers, and the accrued interest thereon.

Following is a summary of restricted assets held:

Reserved for Customer Meter Deposits	<u>\$ 24,460</u>
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Compensated Absences

The Town compensated absences cannot be determined and is not accrued as a liability in the financial statements.

Town of Ochelata
Washington County, Oklahoma
Notes to the Financial Statements
June 30, 2020

NOTE 4: NOTES PAYABLE

On September 9, 2014 the Ochelata Utilities Authority entered into a promissory note with American Heritage Bank secured by revenues generated by the utility system in a total amount of \$737,580 to require interest at a rate of 4.25% and monthly payments of \$5,572.

The following is a schedule of principal debt maturities for the next five years:

<u>Date</u>	<u>Principle</u>
6-30-21	\$44,412
6-30-22	45,336
6-30-23	48,345
6-30-24	50,440
6-30-25	54,783

On March 16, 2015 the Ochelata Economic Development Authority entered into a promissory note with American Heritage Bank to help finance the construction of industrial buildings for a wax plant located in town in a total amount of \$655,790 to require interest at a rate of 5.50% with 23 quarterly payments of \$21,045.

The following is a schedule of principal debt maturities for the next five years:

<u>Date</u>	<u>Principle</u>
6-30-21	\$65,254
6-30-22	68,917
6-30-23	72,787
6-30-24	76,873
6-30-25	84,440

Changes in Long Term Debt:

<u>Balance @</u>		<u>Decreases</u>	<u>Balance @</u>	<u>Due</u>
<u>7/1/19</u>	<u>Increases</u>		<u>6/30/20</u>	<u>One Year</u>
<u>\$ 1,005,920</u>	<u>\$ 0</u>	<u>\$ 102,466</u>	<u>\$ 903,454</u>	<u>\$109,666</u>

Town of Ochelata
Washington County, Oklahoma
Notes to the Financial Statements
June 30, 2020

NOTE 6: OTHER INFORMATION

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.

Commitments and Contingencies

As of June 30, 2020 the Town had no pending tort claims as follows:

Subsequent Events

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on future contributions, revenue, and investment income of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

The total financial impact of COVID-19 on the District cannot be determined at this time. There were no other subsequent events to disclose as of May 11, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Ochelata
Washington County, Oklahoma
Budget and Actual - General Fund
 Budgeted Governmental Fund Types
 For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Budget Variance	
	Original	Final		Original to Final	Final to Actual
<u>Revenues:</u>					
Local sources	\$ 0	\$ 0	\$ 2,304	\$ 2,304	\$ 2,304
State Sources	130,586	130,586	202,541	71,955	71,955
Miscellaneous	<u>0</u>	<u>0</u>	<u>284</u>	<u>284</u>	<u>284</u>
Total revenues	<u>130,586</u>	<u>130,586</u>	<u>205,129</u>	<u>74,543</u>	<u>74,543</u>
<u>Expenditures</u>					
Personal Services	40,000	40,000	18,776	21,244	21,224
Maintenance/Operations	425,255	425,255	75,019	350,236	350,236
Capital Outlay	50,000	50,000	0	50,000	50,000
Intergovernmental	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>515,255</u>	<u>515,255</u>	<u>93,795</u>	<u>421,460</u>	<u>421,460</u>
Excess of Revenues over/(under) expenditures					
Before Other Sources/(Uses)	(384,669)	(384,669)	111,334	496,003	496,003
Cash Fund Balance, beginning	<u>384,669</u>	<u>384,669</u>	<u>383,511</u>	<u>(1,158)</u>	<u>(1,158)</u>
Cash Fund Balance, end of year	<u>\$ 0</u>	<u>\$ 0</u>	494,845	<u>\$ 494,845</u>	<u>\$ 494,845</u>
Reconciliation to the Statement of In Revenues, Expenses and Changes in Fund Balances:					
Other Adjustments			<u>206</u>		
Fund Balance			<u>\$ 495,051</u>		

Town of Ochelata
Washington County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

A. Audit Findings

PRIOR YEAR

NONE

CURRENT YEAR

2020-1:Segregation of Duties

Currently, individual responsible for receiving payments of the Town and of the Town are the same individuals who post the accounting records, deposit money, pay invoices, and reconcile bank accounts.

For the fiscal year ending June 30, 2020, lack of segregation of duties is a concern. Efficient and effective separation of duties is difficult to obtain without hiring additional personnel. However, the governing body and management need to be aware of the continued risk associated with this lack of segregation of duties, and attempt to exercise maximum oversight control over possible areas of risk, such as cash receipts and cash payments.

2020-2: SAS 115

Criteria – 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. We believe that the following deficiencies constitute material weaknesses:

We, as auditors, was required to prepare the Town financial statements because the Town does not have adequate resources or resources with the knowledge required to prepare the Town's financial statements in accordance with generally accepted accounting principles. Additionally, we, as auditors, was required to make year-end adjustments including: accrual for notes payable during the current year because the Town doesn't have adequate resources or resources with the knowledge required to propose and book the Town's financial transactions that are not recurring in nature. These entries are necessary, however, to be in accordance with generally accepted accounting principles.

Condition – We, as auditors, was required to prepare the Town financial statements because the Town does not have adequate resources or resources with the knowledge required to prepare the Town's financial statements in accordance with generally accepted accounting principles. Additionally, we, as auditors, was required to make year-end adjustments including: accrual for notes payable during the current year because the Town doesn't have adequate resources or resources with the knowledge required to propose and book the Town's financial transactions that are not recurring in nature. These entries are necessary, however, to be in accordance with generally accepted accounting principles.

Cause – The above procedures were required for the financial statements to be presented in accordance with generally accepted accounting principles.

Effect – Net assets were increased/decreased as a result of making the necessary adjustments.

Recommendation – Management should continuously monitor the possibilities of outsourcing the procedures necessary to make the necessary adjustments to present the financial statements in accordance with generally accepted accounting principles.

Views of Responsible officials and planned corrective action – Management will monitor the possibilities of outsourcing the procedures necessary to make the necessary adjustments to present the financial statements in accordance with generally accepted accounting principles.

B. Questioned Costs

NONE