

Town of Arcadia

Arcadia, Oklahoma

Financial Statements

(Prepared on the Modified Cash Basis)

June 30, 2023

(With Independent Auditor's Report Thereon)

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**FINANCIAL STATEMENTS
JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council of the
Town of Arcadia, Oklahoma

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Arcadia, Oklahoma, (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the Town as of June 30, 2023 and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter—Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Arlidge & Associates PC

Edmond, Oklahoma
February 23, 2024



**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**STATEMENTS OF NET POSITION—(MODIFIED CASH BASIS)
JUNE 30, 2023**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,774,443	\$ 179,484	\$ 1,953,927
Internal balances	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>
Total Assets	<u><u>1,849,443</u></u>	<u><u>104,484</u></u>	<u><u>1,953,927</u></u>
NET POSITION:			
Restricted for:			
Police	9,796	-	9,796
Fire	31,811	-	31,811
Cleet	707	-	707
Street and alley	69,010	-	69,010
Debt service	-	129,416	129,416
Reserve	1,182,370	-	1,182,370
Unrestricted	<u>555,749</u>	<u>(24,932)</u>	<u>530,817</u>
Total net position	<u>1,849,443</u>	<u>104,484</u>	<u>1,953,927</u>
Total net position	<u><u>\$ 1,849,443</u></u>	<u><u>\$ 104,484</u></u>	<u><u>\$ 1,953,927</u></u>

See accompanying notes to financial statements.

TOWN OF ARCADIA
ARCADIA, OKLAHOMA

STATEMENT OF ACTIVITIES—(MODIFIED CASH BASIS)
JUNE 30, 2023

	Expenses	Program Revenues		Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
General government	\$ 423,517	\$ 62,655	\$ -	\$ (360,862)	\$ -	\$ (360,862)
Public safety	197,882	-	33,851	(164,031)	-	(164,031)
Street and alley	11,735	-	-	(11,735)	-	(11,735)
Total governmental activities	<u>633,134</u>	<u>62,655</u>	<u>33,851</u>	<u>(536,628)</u>	<u>-</u>	<u>(536,628)</u>
Business-type activities:						
Trash collection	26,791	22,405	-	-	(4,386)	(4,386)
Water	216,873	87,327	-	-	(129,546)	(129,546)
Sewer	<u>220,103</u>	<u>91,637</u>	<u>-</u>	<u>-</u>	<u>(128,466)</u>	<u>(128,466)</u>
Total business-type activities	<u>463,766</u>	<u>201,368</u>	<u>-</u>	<u>-</u>	<u>(262,398)</u>	<u>(262,398)</u>
Total primary government	<u>\$ 1,096,900</u>	<u>\$ 264,023</u>	<u>\$ 33,851</u>	<u>\$ (536,628)</u>	<u>\$ (262,398)</u>	<u>\$ (799,026)</u>
General revenues and transfers:						
Taxes:						
Sales and use taxes				1,187,265	-	1,187,265
Fines and forfeitures				111,123	-	111,123
Miscellaneous				50,011	(60)	49,951
Transfers				<u>(200,000)</u>	<u>200,000</u>	<u>-</u>
Total general revenues and transfers				<u>1,148,399</u>	<u>199,940</u>	<u>1,348,339</u>
Change in net position				611,771	(62,458)	549,313
Net position, beginning of year				<u>1,237,672</u>	<u>166,942</u>	<u>1,404,614</u>
Net position, end of year				<u>\$ 1,849,443</u>	<u>\$ 104,484</u>	<u>\$ 1,953,927</u>

See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**GOVERNMENTAL FUNDS STATEMENT OF NET POSITION—(MODIFIED CASH BASIS)
JUNE 30, 2023**

	General Fund	Street and Alley	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,705,357	\$ 69,086	\$ 1,774,443
Due from other funds	<u>75,076</u>	<u>-</u>	<u>75,076</u>
Total Assets	<u><u>1,780,433</u></u>	<u><u>69,086</u></u>	<u><u>1,849,519</u></u>
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	<u>-</u>	<u>76</u>	<u>76</u>
Total liabilities	<u><u>-</u></u>	<u><u>76</u></u>	<u><u>76</u></u>
Fund Balances:			
Restricted for:			
Police	9,796	-	9,796
Fire	31,811	-	31,811
Cleet	707	-	707
Street and alley	-	69,010	69,010
Reserve	1,182,370	-	1,182,370
Unassigned	<u>555,749</u>	<u>-</u>	<u>555,749</u>
Total Fund Balance	<u><u>1,780,433</u></u>	<u><u>69,010</u></u>	<u><u>1,849,443</u></u>
Total liabilities and fund balances	<u><u>\$ 1,780,433</u></u>	<u><u>\$ 69,086</u></u>	<u><u>\$ 1,849,519</u></u>

See accompanying notes to financial statements.

TOWN OF ARCADIA
 ARCADIA, OKLAHOMA

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 (MODIFIED CASH BASIS)—JUNE 30, 2023

	General Funds	Street and Alley	Total Governmental Funds
Revenues:			
Taxes	\$ 1,187,265	\$ -	\$ 1,187,265
Intergovernmental	33,851	-	33,851
Fines and forfeitures	111,123	-	111,123
Licenses and permits	62,655	-	62,655
Miscellaneous	50,005	6	50,011
Total revenues	<u>1,444,899</u>	<u>6</u>	<u>1,444,905</u>
Expenditures:			
Current:			
General government	423,517	5,509	429,026
Public safety	197,882	-	197,882
Street and alley	-	6,226	6,226
Total expenditures	<u>621,399</u>	<u>11,735</u>	<u>633,134</u>
Excess (deficiency) of revenues over expenditures	<u>823,500</u>	<u>(11,729)</u>	<u>811,771</u>
Other financing sources (uses):			
Transfers in	234,933	40,566	275,499
Transfers out	<u>(475,499)</u>	<u>-</u>	<u>(475,499)</u>
Total other financing sources (uses)	<u>(240,566)</u>	<u>40,566</u>	<u>(200,000)</u>
Net change in fund balances	582,934	28,837	611,771
Fund balances, beginning of year	<u>1,197,499</u>	<u>40,173</u>	<u>1,237,672</u>
Fund balances, end of year	<u>\$ 1,780,433</u>	<u>\$ 69,010</u>	<u>\$ 1,849,443</u>

See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**STATEMENT OF NET POSITION—PROPRIETARY FUND—(MODIFIED CASH BASIS)
JUNE 30, 2023**

	<u>Arcadia Public Works Authority</u>
Assets	
Unrestricted cash	\$ 50,068
Restricted cash	<u>129,416</u>
Total assets	<u><u>179,484</u></u>
Liabilities and Net Position	
Due to other funds	<u>75,000</u>
Total liabilities	<u>75,000</u>
Net position:	
Restricted for debt service	129,416
Unrestricted net position	<u>(24,932)</u>
Total net position	<u>104,484</u>
Total liabilities and net position	<u><u>\$ 179,484</u></u>

See accompanying notes to financial statements.

TOWN OF ARCADIA

ARCADIA, OKLAHOMA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION—
PROPRIETARY FUND—(MODIFIED CASH BASIS) JUNE 30, 2023**

	<u>Arcadia Public Works Authority</u>
Operating Revenues:	
Trash collection	\$ 22,405
Water	45,781
Sewer	50,091
Impact fees	83,091
Total operating revenues	<u>201,368</u>
Operating expenses:	
Trash service charge	16,258
Water service charge	81,910
Sewer treatment service charge	81,909
Professional services: long/short services	107,715
Salaries	51,615
Diesel fuel: lift pump station	15,715
Utilities	4,608
Supplies	24
Miscellaneous	3,936
Total operating expenses	<u>363,690</u>
Operating loss	<u>(162,322)</u>
Non-operating revenues (expenses):	
USDA grant proceeds	-
Miscellaneous income, net	(60)
Long-term debt—interest expense	(55,008)
Long-term debt—principal paid	(37,068)
Sewer system installation	(8,000)
Water system installation	-
Total non-operating expenses, net	<u>(100,136)</u>
Loss before transfers	<u>(262,458)</u>
Transfers from the Town of Arcadia, net	<u>200,000</u>
Change in net position	(62,458)
Net position, beginning of year	<u>166,942</u>
Net position, end of year	<u>\$ 104,484</u>

See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**STATEMENT OF CASH FLOWS—PROPRIETARY FUND—(MODIFIED CASH BASIS)
JUNE 30, 2023**

	Arcadia Public Works Authority
Cash flows from operating activities:	
Receipts from customers	\$ 201,368
Payments to suppliers	(312,075)
Payments to employees	(51,615)
Net cash used in operating activities	<u>(162,322)</u>
Cash flows from noncapital financing activities:	
Transfers from the Town of Arcadia, net	<u>200,000</u>
Net cash provided by noncapital financing activities	<u>200,000</u>
Cash flows from capital and related financing activities:	
Cash payments for property, plant, and equipment	(8,000)
Repayment of capital debt	(37,068)
Miscellaneous	(67)
Interest payments on capital debt	(55,008)
Net cash used in capital and	<u>(100,143)</u>
Cash flows from investing activities:	
Interest received	<u>7</u>
Net cash provided by investing activities	<u>7</u>
Net increase in cash and cash equivalents	(62,458)
Cash and cash equivalents, beginning of year	<u>241,942</u>
Cash and cash equivalents, end of year	<u><u>\$ 179,484</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (162,322)
Adjustments to reconcile operating loss to net cash used in operating activities	-
Net cash used in operating activities	<u><u>\$ (162,322)</u></u>
Reconciliation of cash balances to statement of net position:	
Unrestricted cash and cash equivalents	\$ 50,068
Restricted cash and cash equivalents	<u>129,416</u>
Total cash and cash equivalents, end of year	<u><u>\$ 179,484</u></u>

See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

In determining the financial reporting entity, the Town of Arcadia (the “Town”) complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and Statement No. 61, *The Financial Reporting Entity: Omnibus*, that require the primary government and all component units of which the primary government is financially accountable be included in the financial report. The Town’s financial reporting entity includes two separate legal entities reported as the primary government and component units.

- Town of Arcadia—An incorporated town that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the Town—reported as part of the primary government.
- Arcadia Public Works Authority (APWA)—Public trust created on October 22, 1998, for the purpose of providing water and waste services to the citizens in the Town, with the Town Council members serving as the trustees—considered part of the primary government as a blended component unit for reporting purposes.

For the above public trust, the Town is the beneficiary of the trust and the Town Council either serves as the governing body of the trust or appoints the trustees. In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the Town Council. This is considered sufficient imposition of will to include the trust within the Town’s financial reporting entity.

Basis of Accounting and Presentation

Government-Wide Financial Statements

The statements of net position and activities 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 changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in accounting principles generally accepted in the United States.

These modifications include adjustments for the following balances arising from cash transactions:

- Cash-based interfund receivables and payables
- Other cash-based receivables/payables

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, property, equipment, and infrastructure assets are not recorded or depreciated, nor is debt reflected as a liability.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the Town's taxpayers. The Town has the following program revenues in each activity:

- a. General government—Licenses and permits, fines and fees, sales, and tobacco taxes
- b. Public safety—Fine revenue and operating grants
- c. Street and alley—Alcohol, gas excise, and commercial vehicle taxes
- d. Community development—Permits and rental fees

Governmental Funds

The Town's governmental funds are comprised of the following:

Major Funds:

- General Fund—Accounts for all activities not accounted for in other special-purpose funds. For external financial statement reporting purposes, the following funds, all of which are for special revenues and expenditures for their respective funds, are combined and reported with the General Fund: Reserve, CLEET, Police, and Fire.
- Street and Alley Fund—A special revenue fund that accounts for revenues constrained for special projects of the Town.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities resulting from cash transactions are generally included on the fund balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Proprietary Fund:

The Town's proprietary fund is comprised of the following:

- a. APWA—Accounts for the operation of the water and sanitation activities.

The proprietary fund is also reported on a modified cash basis, as defined above.

For purposes of the statement of revenues, expenses, and changes in net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital, and investing activities are reported as non-operating or transfers and contributions.

Cash and Cash Equivalents

Cash and cash equivalents include all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of 3 months or less, and money market accounts.

Capital Assets

Due to the use of the modified cash basis of accounting, capital assets and related depreciation are not reported in the financial statements.

Long-Term Debt

In connection with the Water and Waste Disposal Systems for Rural Communities grant awarded by the United States Department of Agriculture (USDA) Rural Utilities Service, APWA was required to obtain long-term debt to finance a portion of the project. APWA obtained two loans from the USDA during August 2007: one for \$410,200 with an interest rate of 4.250%; and one for \$525,800 with an interest rate of 4.125%. The loans are to be repaid over a 40-year period and required interest-only payments for the first 2 years. The interest-only payments were advanced to APWA from the grant funds. APWA was required to maintain two reserve cash accounts in accordance with the loan agreement: a debt service account with funds equal to one annual payment; and a depreciation account for long-lived assets for unanticipated emergency maintenance and repairs.

In connection with the Sewer System Improvement Project grants awarded by the USDA Rural Utilities Service, APWA was required to obtain long-term debt to finance a portion of the project. APWA obtained two loans from the USDA during August 2017: one for \$258,000 with an interest rate of 3.250%; and one for \$821,000 with an interest rate of 2.000%. The loans are to be repaid over a 40-year period and required interest-only for the first 2 years. The interest-only payments are to be advanced from the grant funds.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Long Term Debt -- Continued

Due to the use of the modified cash basis of accounting, long-term debt obligations are not reported in the financial statements. However, the amount of long-term debt issued and outstanding at the end of the fiscal year is reported as long term debt in Note 7.

Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is not considered material due to the limited number of employees.

Management's Review of Subsequent Events

The Town's management has evaluated subsequent events through February 23, 2024, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

Fund Balances and Net Position

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. These classifications are defined as:

- Nonspendable—includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted—consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) laws through constitutional provisions or enabling legislation.
- Committed—includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The Town's highest level of decision-making authority is made by ordinance.
- Assigned—includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town Council action or management decision when the Town Council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- Unassigned—represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

It is the Town’s policy to first use the restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The Town’s policy for the use of the unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net position is displayed in two components:

- Restricted net position—consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position—consists of all other net position that do not meet the definition of “restricted.”

It is the Town’s policy to first use restricted net position prior to the use of unrestricted net position when expenditures are incurred for purposes for which both restricted and unrestricted net position are available.

Internal and Interfund Balances and Transfers

The Town’s policy is to eliminate interfund transfers and balances in the statements of net position and activities to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

(2) DEPOSITS

At June 30, 2023, the primary government held the following deposits:

<u>Type</u>	
Demand Deposits	<u>\$ 1,953,927</u>

**TOWN OF ARCADIA
 ARCADIA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS, CONTINUED**

(2) DEPOSITS, CONTINUED

Custodial Credit Risk

Exposure to custodial credit related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Town’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Town’s name.

The Town’s policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 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. At June 30, 2023, the Town was over-collateralized by approximately \$33,387 and therefore was not exposed to custodial credit risk as defined above.

Restricted Cash and Cash Equivalents

The amounts reported as restricted net position on the statement of net position are comprised of amounts restricted for Town projects, public safety, debt service payments, and asset maintenance purposes. The restricted cash and cash equivalents as of June 30, 2023, were as follows:

Street and alley	\$	69,086
CLEET		631
Water debt service payment account (required by USDA)		52,757
Water asset maintenance account (required by USDA)		41,382
Sewer debt service payment account (required by USDA)		16,386
Sewer asset maintenance account (required by USDA)		15,352
USDA grant funds account		3,539
Police		31,811
Fire		9,796
		<hr/>
	\$	<u>240,740</u>

**TOWN OF ARCADIA
 ARCADIA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS, CONTINUED**

(3) SALES TAX REVENUE

Sales tax revenue represents a four-cent local tax on each dollar of taxable sales within the Town, in accordance with Ordinance 89-1504. Sales tax revenue is recorded in the General Fund for general operations.

(4) PROPERTY TAX LEVY

The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the Town.

(5) INTERNAL AND INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2023, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Business</u>
APWA	General Fund	\$ 75,000	Loan for operations
Street and alley	General Fund	<u>76</u>	Return of unused funds
		<u>\$ 75,076</u>	

<u>Reconciliation to Government Wide Statements</u>	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 83,076	\$ (8,076)	\$ 75,000
Proprietary funds	<u>-</u>	<u>(75,000)</u>	<u>(75,000)</u>
	<u>\$ 83,076</u>	<u>\$ (83,076)</u>	<u>\$ -</u>

Transfers between funds and legal entities for the year ended June 30, 2023, were comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Street and Alley Fund	\$ 40,566	Operations funding
General Fund	Cleet Fund	9,120	Operations Funding
General Fund	Fire Fund	10,053	Operations Funding
General Fund	Police Fund	15,760	Operations Funding
General Fund	Reserve Fund	200,000	Reserve Funding
General Fund	APWA	200,000	Debt service
		<u>\$ 475,499</u>	

**TOWN OF ARCADIA
 ARCADIA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS, CONTINUED**

(5) INTERNAL AND INTERFUND BALANCES AND TRANSFERS CONTINUED

<u>Reconciliation to Fund Financial Statements</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental funds	\$ 40,566	\$ (240,566)	\$ (200,000)
Proprietary funds	<u>200,000</u>	<u>-</u>	<u>200,000</u>
	<u>\$ 240,566</u>	<u>\$ (240,566)</u>	<u>\$ -</u>

(6) RISK MANAGEMENT

The Town and its public trust are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. There were not any claims against the Town as of June 30, 2023.

(7) LONG-TERM DEBT

APWA obtained four loans from the USDA to help with construction of a water and sewer system. The loans details are as follows:

- a. USDA promissory note 91-05 dated August 24, 2007, with an original amount of \$525,800, due in monthly installments of \$2,288 beginning September 24, 2009, interest-only payments paid the first 2 years due August 24 of 2008 and 2009, final installment due August 24, 2047, at a fixed interest rate of 4.125%.
- b. USDA promissory note 91-07 dated August 24, 2007, with an original amount \$410,200, due in monthly installments of \$1,818 beginning September 24, 2009, interest-only payments paid during the first 2 years due August 24 of 2008 and 2009, final installment due August 24, 2047, at a fixed interest rate of 4.250%.
- c. USDA promissory note 92-03 dated August 25, 2017, with an original amount of \$258,000, due in monthly installments of \$989 beginning September 25, 2019, interest-only payments paid for the first 2 years due August 25 of 2018 and 2019, final installment due August 25, 2057, at a fixed interest rate of 3.250%.
- d. USDA promissory note 92-09 dated August 25, 2017, with an original amount of \$821,000, due in monthly installments of \$2,578 beginning September 25, 2019, interest-only payments paid for the first 2 years due August 25 of 2018 and 2019, final installment due August 25, 2057, at a fixed interest rate of 2.00%.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

(7) LONG-TERM DEBT, CONTINUED

The following is a summary of the long-term debt as of June 30, 2023:

USDA promissory note 91-05	\$ 418,272
USDA promissory note 91-07	327,702
USDA promissory note 92-03	243,747
USDA promissory note 92-09	763,113
	<u>1,752,834</u>
Less current maturities	<u>35,696</u>
Long-term debt, less current maturities	<u>\$ 1,717,138</u>

Changes in long-term debt for the year ended June 30, 2023, were as follows:

	Balance at June 30, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance at June 30, <u>2023</u>
USDA promissory note 91-05	\$ 428,249	\$ -	\$ 9,977	\$ 418,272
USDA promissory note 91-07	335,411	-	7,709	327,702
USDA promissory note 92-03	247,624	-	3,877	243,747
USDA promissory note 92-09	<u>778,618</u>	<u>-</u>	<u>15,505</u>	<u>763,113</u>
	<u>\$ 1,789,902</u>	<u>\$ -</u>	<u>\$ 37,068</u>	<u>\$ 1,752,834</u>

**TOWN OF ARCADIA
 ARCADIA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS, CONTINUED**

(7) LONG-TERM DEBT, CONTINUED

Long-term debt annual debt service requirements as of June 30, 2023, are as follows:

Year Ending				
<u>June 30, 2023</u>	<u>Principal</u>		<u>Interest</u>	<u>Total</u>
2024	\$ 35,696	\$	56,380	\$ 92,076
2025	39,223		52,853	92,076
2026	40,495		51,581	92,076
2027	41,812		50,264	92,076
2028	43,177		48,899	92,076
2029-2033	238,149		222,231	460,380
2034-2038	280,518		179,862	460,380
2039-2043	331,267		129,113	460,380
2044-2048	350,519		68,942	419,461
2049-2053	182,646		31,374	214,020
2054-2058	169,332		9,036	178,368
	<u>\$ 1,752,834</u>	\$	<u>900,535</u>	<u>\$ 2,653,369</u>

(8) COMMITMENTS AND CONTINGENCIES

The Town is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a 3-year period by a Town "Sinking Fund" for the payment of any court-assessed judgment rendered against the Town. These statutory provisions do not apply to the Town's public trust authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the state statute relating to judgments, the Town believes that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

(8) **COMMITMENTS AND CONTINGENCIES, CONTINUED**

Federal and State Award Programs

The Town participates in various federal and/or state grant/loan programs from year to year. In 2023, the Town's involvement in federal and state award programs was not significant. The grant/loan programs are subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan.

Water System

APWA received loan and grant funds from the USDA in order to complete the construction of a water system for the residents of Arcadia, Oklahoma. The funds were spent on supplies and labor utilized to construct the water system. Once construction was completed, it was determined that the water produced by the system did not meet required health standards to allow the residents of the town of Arcadia to utilize the water as expected. The funds were spent on allowable costs; however, APWA was unable to operate the water system in 2019 and previous years.

During the year ended June 30, 2020, APWA completed work to bring the water system into compliance with required health standards and began providing water services through the system to the residents of Arcadia. The water system is now considered in service.

TOWN OF ARCADIA, OKLAHOMA

SUPPLEMENTARY INFORMATION

TOWN OF ARCADIA
 ARCADIA, OKLAHOMA

COMBINING STATEMENT OF NET POSITION GENERAL FUND —(MODIFIED CASH BASIS)
 JUNE 30, 2023

	General Fund	Reserve Fund	Cleet Fund	Police Fund	Fire Fund	Total General Fund
Assets						
Cash and cash equivalents	\$ 488,749	\$ 1,174,370	\$ 631	\$ 31,811	\$ 9,796	\$ 1,705,357
Due from other funds	<u>75,000</u>	<u>8,000</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>83,076</u>
Total Assets	<u><u>563,749</u></u>	<u><u>1,182,370</u></u>	<u><u>707</u></u>	<u><u>31,811</u></u>	<u><u>9,796</u></u>	<u><u>1,788,433</u></u>
Liabilities and Fund Balances						
Liabilities:						
Due to other funds	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000</u>
Total liabilities	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000</u>
Fund Balances:						
Restricted for:						
Police	-	-	-	-	9,796	9,796
Fire	-	-	-	31,811	-	31,811
Cleet	-	-	707	-	-	707
Reserve	-	1,182,370	-	-	-	1,182,370
Unassigned	<u>555,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>555,749</u>
Total Fund Balance	<u>555,749</u>	<u>1,182,370</u>	<u>707</u>	<u>31,811</u>	<u>9,796</u>	<u>1,780,433</u>
Total liabilities and fund balances	<u><u>\$ 563,749</u></u>	<u><u>\$ 1,182,370</u></u>	<u><u>\$ 707</u></u>	<u><u>\$ 31,811</u></u>	<u><u>\$ 9,796</u></u>	<u><u>\$ 1,788,433</u></u>

See accompanying notes to financial statements.

TOWN OF ARCADIA
 ARCADIA, OKLAHOMA

COMBINING GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 (MODIFIED CASH BASIS)—JUNE 30, 2023

	General Fund	Reserve Fund	Cleet Fund	Police Fund	Fire Fund	Total General Fund
Revenues:						
Taxes	\$ 1,187,265	\$ -	\$ -	\$ -	\$ -	\$ 1,187,265
Intergovernmental	14,247	-	-	19,604	-	33,851
Charges for services	-	-	-	-	-	-
Fines and forfeitures	107,610	-	-	3,513	-	111,123
Licenses and permits	62,490	-	-	-	165	62,655
Miscellaneous	49,894	110	-	1	-	50,005
Total revenues	<u>1,421,506</u>	<u>110</u>	<u>-</u>	<u>23,118</u>	<u>165</u>	<u>1,444,899</u>
Expenditures:						
Current:						
General government	423,517	-	-	-	-	423,517
Public safety	181,473	-	8,920	7,067	422	197,882
Total expenditures	<u>604,990</u>	<u>-</u>	<u>8,920</u>	<u>7,067</u>	<u>422</u>	<u>621,399</u>
Excess (deficiency) of revenues over expenditures	816,516	110	(8,920)	16,051	(257)	823,500
Other financing sources (uses):						
Transfers in	-	200,000	9,120	15,760	10,053	234,933
Transfers out	(475,499)	-	-	-	-	(475,499)
Total other financing sources (uses)	<u>(475,499)</u>	<u>200,000</u>	<u>9,120</u>	<u>15,760</u>	<u>10,053</u>	<u>(240,566)</u>
Net change in fund balances	341,017	200,110	200	31,811	9,796	582,934
Fund balances, beginning of year	<u>214,732</u>	<u>982,260</u>	<u>507</u>	<u>-</u>	<u>-</u>	<u>1,197,499</u>
Fund balances, end of year	<u>\$ 555,749</u>	<u>\$ 1,182,370</u>	<u>\$ 707</u>	<u>\$ 31,811</u>	<u>\$ 9,796</u>	<u>\$ 1,780,433</u>

See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**BUDGETARY COMPARISON SCHEDULE—GENERAL FUND— (MODIFIED CASH BASIS)
JUNE 30, 2023**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Original	Budgeted Final	Actual Amounts	
Beginning budgetary fund balance:	\$ 32,956	\$ 32,956	\$ 1,192,736	\$ 1,524,328
Resources (inflows):				
Taxes	504,687	504,687	1,187,265	682,578
Intergovernmental	13,000	13,000	33,851	20,851
Charges for services	1,500	1,500	-	(1,500)
Fines and forfeitures	60,000	60,000	111,123	51,123
Licenses and permits	20,080	20,080	62,655	42,575
Miscellaneous	14,040	14,040	50,005	35,965
Total resources (inflows)	<u>613,307</u>	<u>613,307</u>	<u>1,444,899</u>	<u>831,592</u>
Amounts available for appropriation	<u>646,263</u>	<u>646,263</u>	<u>2,637,635</u>	<u>2,355,920</u>
Charges to appropriations (outflows):				
General government	476,544	476,544	423,517	53,027
Public safety	146,763	146,763	197,882	(51,119)
Capital outlay	90,000	90,000	-	90,000
Transfers out	122,000	122,000	240,566	(118,566)
Total charges to	<u>835,307</u>	<u>835,307</u>	<u>861,965</u>	<u>(26,658)</u>
Ending budgetary fund balance	<u>\$ (189,044)</u>	<u>\$ (189,044)</u>	<u>\$ 1,775,670</u>	<u>\$ 2,382,578</u>

FOOTNOTES TO BUDGETARY COMPARISON SCHEDULES:

1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the Town Mayor's approval, while supplemental appropriations require Town Council approval.

See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**REPORTS REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

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 Honorable Mayor and Town Council of the
Town of Arcadia, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arcadia, Oklahoma (the “Town”), as of and for the year ended June, 30, 2023, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated February 23, 2024. Our report included an emphasis of matter paragraph related to the Town’s use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town’s internal control over financial reporting (internal control) as a basis for designing 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.

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

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 was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as finding 2023-001 to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Findings 2023-002.

Town of Arcadia’s Responses to Findings

The Town's responses to the findings identified in our audits are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Arledge & Associates PC

Edmond, Oklahoma
February 23, 2024



**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2023

Findings Required to be Reported in Accordance with *Government Auditing Standards*:

A. Internal Control

2023-001 Property Records

Criteria: Property records, showing capital assets and infrastructure of the Town, should be maintained, reviewed, and reconciled on a periodic basis. Additionally, a capitalization threshold should be established and enforced by the Town for expenditures on assets that exceed that threshold.

Condition: The Town does not have any property records nor an established capitalization policy.

Cause: The limited population of the Town and limited resources result in the inability to provide sufficient staffing to fully execute duties.

Effect: Without property records or an adequate capitalization policy, the Town cannot properly track, maintain, or protect capital assets.

Recommendation: We recommend property records be created for the Town and a capitalization threshold be established of \$5,000 for any asset purchases to be in conformity with Uniform Grant Guidance requirements.

Management's Response: The town has changed our Treasurer position to a full -time position. Adding this full-time position within the town has given us more staff to have the ability to do a deep dive into full inventory and fixed assets. A database will be created, tracked, and maintained. We are on track to have this remedied by 12/1/2024.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Year Ended June 30, 2023

B. Compliance Findings

2023-002 Budgetary Compliance

Criteria: The Municipal Budget Act of 1979 states that no encumbrance or expenditure may be authorized or made which exceeds the available appropriation for each department within a fund.

Condition: For the year ended June 30, 2023, expenditures exceeded appropriations at the legal level of control for the General Fund as follows:

<u>Fund</u>	<u>Department</u>	<u>Expenditures Exceeding Appropriations</u>
General Fund	Transfers out	\$ 118,556
General Fund	Public Safety	51,119

Cause: Management of the Town did not implement a budget modification to prevent the above overage.

Effect: The Town was not in compliance with the Municipal Budget Act of 1979.

Recommendation: Procedures should be in place to monitor and avoid such items.

Management's Response: With the full-time treasurer position the budget is now being monitored more closely and amended as needed.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES, CONTINUED

Year Ended June 30, 2023

A. Internal Control

<u>Reference</u>	<u>Finding</u>	<u>Status</u>	<u>Corrective Action Plan or Other Explanation</u>
2022-001	Property records, showing capital assets and infrastructure of the Town, should be maintained, reviewed, and reconciled on a periodic basis.	In Progress	While we have an inventory of items owned starting in 2003, it is not current and may not reflect actual purchase cost. However, using this list, we will develop a listing to be used for the financial statements.

B. Compliance Findings

<u>Reference</u>	<u>Finding</u>	<u>Status</u>	<u>Corrective Action Plan or Other Explanation</u>
2022-002	The Municipal Budget Act of 1979 states that no encumbrance or expenditure may be authorized or made which exceeds the available appropriation for each department within a fund.	In Progress	We will monitor and do a budget modification as and if needed.