

**TOWN OF WAUKOMIS, OKLAHOMA
WAUKOMIS, OKLAHOMA**

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

**FOR THE YEAR ENDED
JUNE 30, 2021**

TOWN OF WAUKOMIS, OKLAHOMA
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INDEPENDENT AUDITOR'S REPORT

To the Town Board of Trustees
Town of Waukomis, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Waukomis, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Waukomis, Oklahoma'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 accounting principles generally accepted in the United States of America; this includes 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 the standards applicable to financial audits contained in *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 financial position of the governmental activities, the business-type activities, and each major fund of the Town of Waukomis, Oklahoma, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension liability information on pages 4–11 and 34–35 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 March 15, 2022, on our consideration of the Town of Waukomis, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Waukomis, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Waukomis, Oklahoma's internal control over financial reporting and compliance.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
March 15, 2022

TOWN OF WAUKOMIS, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

TOWN BOARD OF TRUSTEES

Brian Robinette, Mayor

Amber Sprague, Vice Mayor

Michael Hellman

Malinda Isbell

Kevin Thedford

TOWN CLERK

Rachael Felber

Our discussion and analysis of the Town of Waukomis's ("Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2021. The Town's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the Town's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$1,170,381 for fiscal year 2021 compared to \$1,427,913 (net position) in fiscal year 2020, noting a decrease of 18% over prior year.
- The Town's total net position is comprised of the following:
 - 1) Net investment in capital assets of \$109,385 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) Restricted assets of \$231,871 represent cash balances restricted largely for debt service payments and meter deposit obligations.
 - 3) Unrestricted net position of \$829,125 may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's governmental funds reported total ending fund balance of \$653,811 in the current fiscal year, compared to \$587,913 in the prior year.
- At the end of the current fiscal year unassigned fund balance for the General Fund was \$491,461 compared to \$384,252 in prior year.

ABOUT THE TOWN

The Town is a Strong Mayor/Council form of government with a population of approximately 1,500 located in Garfield County in northern Oklahoma. The Town is governed by a five-member Council and operates under state law and Town ordinances through three branches of government:

- Legislative – the Town Council is a five-member governing body with four council members elected by ward and the mayor elected by the citizens at large
- Executive – the Town Mayor is the Chief Executive Officer and is elected by the citizens
- Judicial – the Municipal Judge is appointed by the Town Council

The Town provides typical municipal services such as public safety, street and alley maintenance, and through its Public Works Authority, certain utility services including water, wastewater and sanitation.

The Town's Financial Reporting Entity

This annual report includes all activities for which the Town's Board is financially accountable.

The activities, defined as the Town's financial reporting entity, are operated within separate legal entities that make up the primary government.

The Town's financial reporting entity includes the following separate legal entities:

- **The Town of Waukomis**– an incorporated Town that operates the public safety, streets and public works, cemetery, culture and recreation, and administrative activities of the Town
- **The Waukomis Public Works Authority (SPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, sewer and sanitation services of the Town, with the mayor and Town Council members serving as the chairman and board of trustees

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities

The first of these government-wide statements is the *Statement of Net Position*. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other financial factors such as diversification of the taxpayer base or the condition of the Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net position changed during the current fiscal year. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services provided by the Town.

The Town's financial reporting entity includes the funds of the Town (primary government) and organization for which the Town is accountable (component units). More comprehensive information about the Town's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

The Town has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the General Fund. This statement demonstrates compliance with the Town's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The Town has one type of proprietary fund: enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Town organization such as water and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the Town's compliance with the approved and revised budget for the General Fund.

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Changes in net position may be used to discuss the changing financial position of the Town as a whole. The following table provides a summary of the Town's net position at June 30:

	Governmental Activities		Business-Type Activities		Totals		Change	
	2021	2020	2021	2020	2021	2020	\$	%
Current assets	\$ 523,093	\$ 464,706	\$ 382,871	\$ 568,070	\$ 905,964	\$ 1,032,776	\$ (126,812)	-12%
Restricted assets	162,350	143,149	148,748	155,968	311,098	299,117	11,981	4%
Capital assets, net	206,554	129,778	2,677,831	2,936,234	2,884,385	3,066,012	(181,627)	-6%
Total assets	891,997	737,633	3,209,450	3,660,272	4,101,447	4,397,905	(296,458)	-7%
Deferred outflows	6,562	6,868	-	-	6,562	6,868	(306)	-4%
Current liabilities	31,632	19,942	86,289	73,691	117,921	93,633	24,288	26%
Liabilities Payable from Restricted Assets	-	-	79,330	76,039	79,330	76,039	3,291	4%
Non-current liabilities	27,961	27,824	2,710,000	2,775,000	2,737,961	2,802,824	(64,863)	-2%
Total liabilities	59,593	47,766	2,875,619	2,924,730	2,935,212	2,972,496	(37,284)	-1%
Deferred inflows	2,416	4,364	-	-	2,416	4,364	(1,948)	-45%
Net investment in capital assets	206,554	129,778	(97,169)	96,234	109,385	226,012	(116,627)	-52%
Restricted	162,453	143,252	69,418	117,318	231,871	260,570	(28,699)	-11%
Unrestricted	467,543	419,341	361,582	521,990	829,125	941,331	(112,206)	-12%
Total net position	\$ 836,550	\$ 692,371	\$ 333,831	\$ 735,542	\$ 1,170,381	\$ 1,427,913	\$ (257,532)	-18%

The Town reported positive fund balances in net position for both governmental and business-type activities. The Town's the combined net position decreased \$257,532 or 18% between fiscal years 2020 and 2021.

Total assets of the Town were \$4,101,447, compared to \$4,397,905 in 2020, noting a 7% decrease. Capital assets purchased in the fiscal year totaled \$163,010, including 2021 Ford F250, F150 Responder, lifepack, court room improvements, and several other pieces of equipment. This increase is offset by over \$344,637 in depreciation recorded during the year which created the decrease in assets.

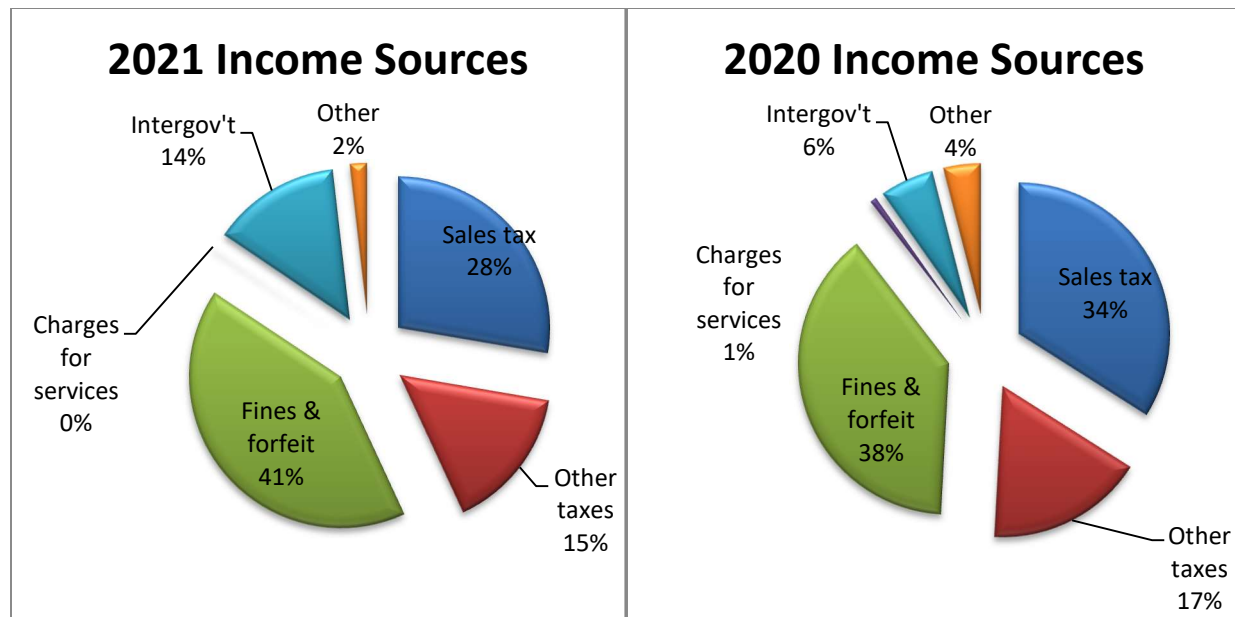
Total liabilities of the Town were \$2,935,212, compared to \$2,972,496 in 2020, noting a 1% decrease. The Town's liabilities include payroll liabilities, debt held by the Town, and outstanding payments due to vendors. The decrease is attributable to payments made on outstanding debt consistent with scheduled requirements, as well as a decrease in outstanding payments due to vendors.

	Governmental Activities		Business-type Activities		Totals		Change	
	2021	2020	2021	2020	2021	2020	\$	%
Revenues								
Program revenues	\$ 473,856	\$ 305,053	\$ 662,866	\$ 652,080	\$ 1,136,722	\$ 957,133	\$ 179,589	19%
Taxes and other general revenues	372,701	333,123	18,667	117,052	391,368	450,175	(58,807)	-13%
Total revenues	846,557	638,176	681,533	769,132	1,528,090	1,407,308	120,782	9%
Expenses								
General government	308,809	276,418	-	-	308,809	276,418	32,391	12%
Public safety and judiciary	389,437	379,267	-	-	389,437	379,267	10,170	3%
Transportation	3,416	53,357	-	-	3,416	53,357	(49,941)	-94%
Recreation	5,145	7,190	-	-	5,145	7,190	(2,045)	100%
Water	-	-	228,396	213,508	228,396	213,508	14,888	7%
Sewer	-	-	386,783	306,005	386,783	306,005	80,778	26%
Sanitation	-	-	112,859	110,739	112,859	110,739	2,120	2%
Customer service	-	-	350,777	215,867	350,777	215,867	134,910	62%
Total expenses	706,807	716,232	1,078,815	846,119	1,785,622	1,562,351	223,271	14%
Excess (deficiency) before transfers	139,750	(78,056)	(397,282)	(76,987)	(257,532)	(155,043)	(102,489)	66%
Transfers	4,429	1,631	(4,429)	(1,631)	-	-	-	0%
Increase (decrease) in net position	\$ 144,179	\$ (76,425)	\$ (401,711)	\$ (78,618)	\$ (257,532)	\$ (155,043)	\$ (102,489)	66%

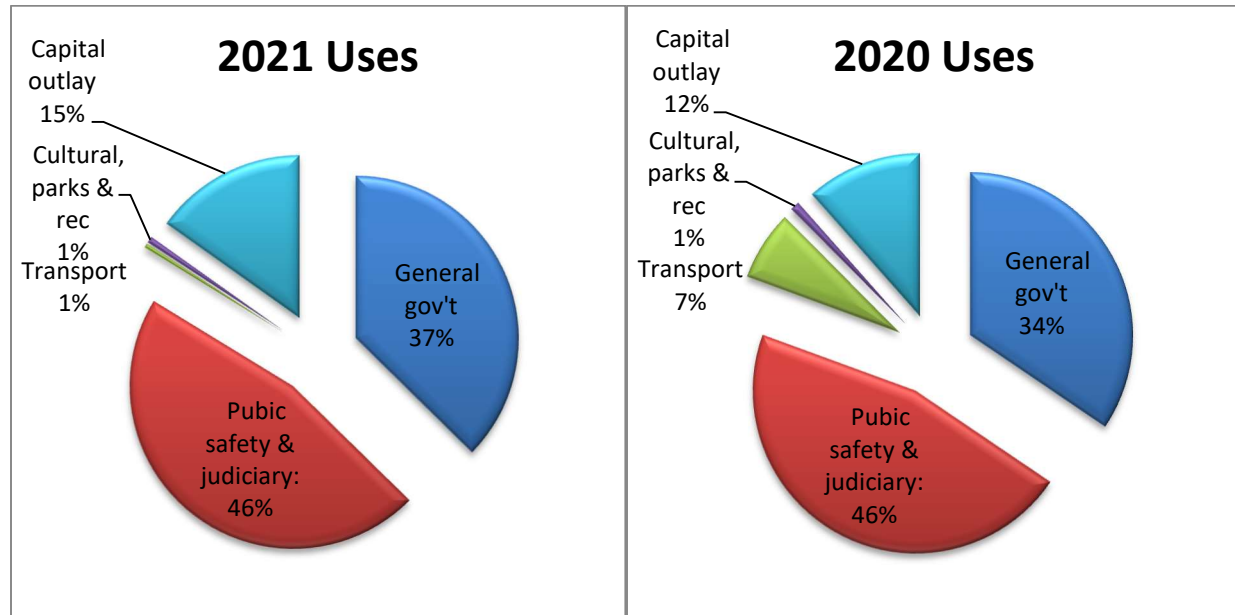
Total revenues for the Town increased 9% or \$120,782. Program revenues for governmental activities consist of charges for services for the license and permit fees collected and fines and forfeitures collected by the police department. Program revenues for business-type activities consist of charges for water, sewer and sanitation services, penalties collected and grant revenues. During the year, the Town received over \$100,000 in operating grants mainly from the federal government related to the COVID-19 pandemic. Sales tax collections are a strong source of revenue for the Town.

Operating expenses for the Town increased 14% during the fiscal year driving by the increase in sewer and customer service costs. Over \$80,000 in new meter and infrastructure improvements contributed to the increase in expenses for the year.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the Town's activities for fiscal year 2021.

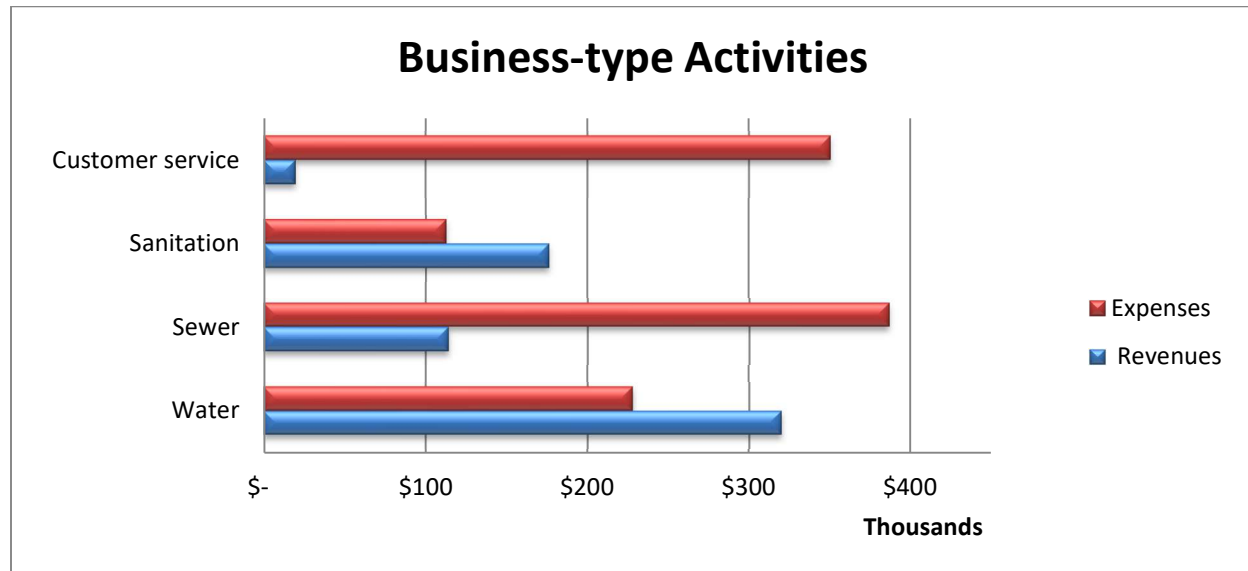


Total governmental revenues for fiscal year 2021 were \$845,052, compared to a total of \$636,336 in prior fiscal year. Fines and forfeitures provided for 41% of the Town's governmental revenues in fiscal year 2021 compared to 41% in prior year. Sales tax is the next largest source of revenue at 28%. A shift in allocation of revenue sources occurred, related to an increase in other taxes, which consist of use, franchise, and cigarette taxes.



Total governmental activities cost of \$783,583 for fiscal year 2021, compares to prior year total cost of \$769,465. Of this amount, public safety and judiciary of \$363,450 was the largest operating service cost at 46% of total cost of services in 2021 which is consistent with prior year. General government expenses were the next largest use of funds at 37%, or \$292,836. These costs, as well as governmental activities expense, were primarily funded by tax revenues. It should be noted that governmental expenses were adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. For the government-wide full accrual statements, capital outlay expenses are eliminated, and capital assets reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by related services. Sanitation, sewer and water activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

General Fund Budgetary Highlights

The original adopted General Fund expenditure budget for fiscal year 2021 was \$715,250, compared to \$931,312 for fiscal year 2020. Total expenditures for the Town were \$783,583, which is \$67,333 more than the approved budget. The general fund overspent budgeted projections due to the capital assets purchased during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2021, the Town had \$109,385 invested in capital assets, net of related debt. Refer to the table below for a summary of assets.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Buildings	\$ -	\$ -	\$ 2,660	\$ 3,040	\$ 2,660	\$ 3,040
Other improvements	66,390	62,238	-	-	66,390	62,238
Machinery & equipment	140,164	67,541	30,659	3,064	170,823	70,605
Utility property & improvements	-	-	2,644,512	2,930,130	2,644,512	2,930,130
Totals	\$ 206,554	\$ 129,779	\$ 2,677,831	\$ 2,936,234	\$ 2,884,385	\$ 3,066,013

Long-Term Debt

At year-end, the Town had \$2,737,961 in long-term debt outstanding. The Town’s changes in long-term debt by type of debt are as follows:

	Primary Government Long-Term Debt					
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Bonds Payable	-	-	2,775,000	2,840,000	2,775,000	2,840,000
Pension liability	27,961	27,824	-	-	27,961	27,824
Subtotal	27,961	27,824	2,775,000	2,840,000	2,802,961	2,867,824
less current portion	-	-	(65,000)	(65,000)	(65,000)	(65,000)
Totals	\$ 27,961	\$ 27,824	\$2,710,000	\$2,775,000	\$2,737,961	\$2,802,824

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Economic Environment

According to the Oklahoma State University, Spears School of Business, *Economic Outlook 2021 Summer Update* “The state and national economies continue to recover from the damage wrought by the COVID-19 pandemic. Parts of the economy that had been most affected saw the greatest increases in activity. The surge in inflation and the current wave of COVID-19 cases...pose risks to the economy.” The City has continued to be proactive in unknown changes resulting from the pandemic in the upcoming year.

The *Economic Outlook* stated “the economy is moving towards a new unknown equilibrium of demand, prices, wages, and output. During the adjustment, the economy can simultaneously experience inflation and high unemployment with the combination of strong demand and constraints on supply.” The pandemic continues to loom as municipalities move forward providing daily, necessary services to citizens.

Fiscal Year 2022 Planning

The Town has approved a budget for the municipal entity that encompasses the current market. The Town will further focus on priorities established by the elected officials, specifically maintaining a cash reserve and consideration of future capital improvements. Management is committed to provide a consistent level of service to citizens while improving the infrastructure and recreation opportunities of the community within the current constraints. For a copy of the most recent budget, please contact Town Hall.

CONTACTING THE TOWN’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town’s finances and to show the Town’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk’s Office at 121 South Main Street, Waukomis, Oklahoma 73773.

Town of Waukomis, Oklahoma
Statement of Net Position
June 30, 2021

ASSETS	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 233,467	\$ 311,964	\$ 545,431
Investments, including time deposits	148,037	-	148,037
Taxes receivable	34,370	-	34,370
Accounts receivable (net)	37,864	70,907	108,771
Prepaid assets	69,355	-	69,355
Total current assets	<u>523,093</u>	<u>382,871</u>	<u>905,964</u>
Restricted assets:			
Cash and cash equivalents	162,350	148,748	311,098
Total restricted assets	<u>162,350</u>	<u>148,748</u>	<u>311,098</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation)	206,554	2,677,831	2,884,385
Total noncurrent assets	<u>206,554</u>	<u>2,677,831</u>	<u>2,884,385</u>
Total assets	<u>\$ 891,997</u>	<u>\$ 3,209,450</u>	<u>\$ 4,101,447</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>6,562</u>	<u>-</u>	<u>6,562</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 16,834	\$ 13,150	\$ 29,984
Salaries and benefits payable	14,798	8,139	22,937
Bonds payable, current	-	65,000	65,000
Total current liabilities	<u>31,632</u>	<u>86,289</u>	<u>117,921</u>
Liabilities payable from restricted assets:			
Accrued interest payable	-	36,780	36,780
Customer deposits payable	-	42,550	42,550
Total liabilities payable from restricted assets	<u>-</u>	<u>79,330</u>	<u>79,330</u>
Noncurrent liabilities:			
Pension liability	27,961	-	27,961
Bonds payable, non-current	-	2,710,000	2,710,000
Total noncurrent liabilities	<u>27,961</u>	<u>2,710,000</u>	<u>2,737,961</u>
Total liabilities	<u>59,593</u>	<u>2,875,619</u>	<u>2,935,212</u>
DEFERRED INFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>2,416</u>	<u>-</u>	<u>2,416</u>
NET POSITION			
Net investment in capital assets	206,554	(97,169)	109,385
Restricted	162,453	69,418	231,871
Unrestricted	467,543	361,582	829,125
Total net position	<u>\$ 836,550</u>	<u>\$ 333,831</u>	<u>\$ 1,170,381</u>

Town of Waukomis, Oklahoma
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 308,809	\$ 2,483	\$ 101,999	\$ -	\$ (204,327)
Total general government	<u>308,809</u>	<u>2,483</u>	<u>101,999</u>	<u>-</u>	<u>(204,327)</u>
Public safety and judiciary:					
Police	298,737	348,545	3,075	-	52,883
Fire	35,578	-	4,826	-	(30,752)
Animal control	1,560	-	-	-	(1,560)
Municipal court	40,753	-	-	-	(40,753)
Emergency management	12,809	-	-	-	(12,809)
Total public safety and judiciary	<u>389,437</u>	<u>348,545</u>	<u>7,901</u>	<u>-</u>	<u>(32,991)</u>
Transportation:					
Streets	3,416	-	11,973	-	8,557
Total transportation	<u>3,416</u>	<u>-</u>	<u>11,973</u>	<u>-</u>	<u>8,557</u>
Recreation:					
Parks	5,145	955	-	-	(4,190)
Total recreation	<u>5,145</u>	<u>955</u>	<u>-</u>	<u>-</u>	<u>(4,190)</u>
Total governmental activities	<u>706,807</u>	<u>351,983</u>	<u>121,873</u>	<u>-</u>	<u>(232,951)</u>
Business-type activities:					
Utility services:					
Water	228,396	320,364	-	50,000	141,969
Sewer	386,783	114,581	-	-	(272,202)
Sanitation	112,859	176,126	-	-	63,267
Customer service	350,777	1,795	-	-	(348,982)
Total business-type activities	<u>1,078,814</u>	<u>612,866</u>	<u>-</u>	<u>50,000</u>	<u>(415,948)</u>
Total primary government	<u>\$ 1,785,621</u>	<u>\$ 964,849</u>	<u>\$ 121,873</u>	<u>\$ 50,000</u>	<u>\$ (648,899)</u>

Town of Waukomis, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2021

Changes in Net Position:	Primary Government		
	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (232,951)	\$ (415,948)	\$ (648,899)
General revenues:			
Taxes:			
Sales tax	234,045	-	234,045
Use tax	82,114	-	82,114
Franchise taxes	34,372	-	34,372
Alcoholic beverage tax	8,611	-	8,611
Cigarette tax	2,228	-	2,228
Investment income	1,262	829	2,091
Miscellaneous	8,564	17,837	26,401
Changes in pension obligation	1,505	-	1,505
Transfers - Internal activity, net	4,429	(4,429)	-
Total general revenues and transfers	377,130	14,237	391,367
 Change in net position	 144,179	 (401,711)	 (257,532)
 Net position-beginning	 692,371	 735,542	 1,427,913
Net position-ending	\$ 836,550	\$ 333,831	\$ 1,170,381

**Town of Waukomis, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2021**

		<u>General Fund</u>
ASSETS		
Cash	\$	233,467
Investments, including time deposits		148,037
Restricted cash		162,350
Taxes receivable		34,370
Due from other funds		-
Fines receivable		37,864
Prepaid assets		69,355
Total assets	\$	<u>685,443</u>
LIABILITIES		
Accounts payable	\$	16,834
Salaries and benefits payable		14,798
Total liabilities		<u>31,632</u>
FUND BALANCES		
Nonspendable	\$	-
Restricted		103
Committed		162,247
Assigned		-
Unassigned		491,461
Total fund balances		<u>653,811</u>
Total liabilities and fund balances	\$	<u>685,443</u>
 Total fund balance- total governmental funds	 \$	 653,811

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

Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds:

Capital assets	369,076	
Less: Accumulated depreciation	<u>(162,522)</u>	206,554

Certain long-term liabilities are not due and payable from current financial resources and therefore, are not reported in the funds:

Net pension deferred outflows/(inflows)	4,146	
Pension liability	<u>(27,961)</u>	<u>(23,815)</u>

Net position of governmental activities		\$ <u>836,550</u>
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Town of Waukomis, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

	General Fund
<u>REVENUES</u>	
Sales tax	\$ 234,045
Use tax	82,114
Franchise taxes	34,372
Other taxes	13,757
Licenses and permits	2,483
Fines and forfeitures	348,545
Investment income	1,262
Charges for services	955
Donations	3,075
Intergovernmental	115,880
Miscellaneous	8,564
Total revenues	845,052
<u>EXPENDITURES</u>	
General government:	
General government	292,836
Total general government	292,836
Public safety and judiciary:	
Police	272,750
Fire	35,578
Animal control	1,560
Municipal court	40,753
Emergency management	12,809
Total public safety and judiciary	363,450
Transportation:	
Streets	3,416
Total transportation	3,416
Recreation:	
Parks	5,145
Total recreation	5,145
Capital outlay	118,736
Total expenditures	783,583
Excess (deficiency) of revenues over expenditures	61,469
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfers in/(out)	4,429
Total other financing sources and uses	4,429
Net change in fund balances	65,898
Fund balances - beginning	587,913
Fund balances - ending	\$ 653,811

Town of Waukomis, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

Reconciliation of the change in fund balances - total governmental funds
to the change in net position of governmental activities:

Net change in fund balances - total governmental funds \$ 65,898
Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital asset purchases	118,736
Depreciation expense	(41,960)

In the statement of activities, the cost of pension benefits earned net of
employee contributions are reported as an component of pension expense.
The fund financial statements report pension contributions as expenditures.

1,505

Change in Net Position of Governmental Activities	\$ 144,179
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Town of Waukomis, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2021

	Public Works Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 311,964
Accounts receivable (net)	70,907
Total current assets	382,871
Restricted assets:	
Cash and cash equivalents	148,748
Total restricted assets	148,748
Noncurrent assets:	
Capital assets (net)	2,677,831
Total noncurrent assets	2,677,831
Total assets	\$ 3,209,450
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 13,150
Payroll liabilities	8,139
Due to other funds	-
Bonds payable, current	65,000
Total current liabilities	86,289
Liabilities payable from restricted assets:	
Accrued interest payable	36,780
Customer deposits payable	42,550
Total liabilities payable from restricted assets	79,330
Noncurrent liabilities:	
Bonds payable, non-current	2,710,000
Total noncurrent liabilities	2,710,000
Total liabilities	2,875,619
NET POSITION	
Net investment in capital assets	(97,169)
Restricted	69,418
Unrestricted	361,582
Total net position	\$ 333,831

Town of Waukomis, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2021

	<u>Public Works Authority</u>
<u>Operating revenues:</u>	
Charges for services:	
Water charges	\$ 320,364
Sewer charges	114,581
Sanitation charges	176,126
Total charges for services	<u>611,071</u>
Miscellaneous	17,837
Penalty	1,795
Total operating revenues	<u><u>630,703</u></u>
<u>Operating expenses:</u>	
Personal services	268,053
Materials and supplies	124,187
Other services and charges	231,262
Depreciation and amortization	302,677
Total operating expenses	<u><u>926,179</u></u>
Net operating income	\$ (295,476)
<u>Nonoperating revenue (expense):</u>	
Investment income	829
Grant Income	50,000
Interest expense	(152,635)
Total nonoperating revenue (expense)	<u><u>(101,806)</u></u>
Net Income before contributions and transfers	(397,282)
Transfers to other funds, net	<u>(4,429)</u>
Change in net position	(401,711)
Net position-beginning of year	<u>735,542</u>
Net position-end of year	<u><u>\$ 333,831</u></u>

Town of Waukomis, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021

	<u>Public Works Authority</u>
<u>Cash flows from operating activities:</u>	
Receipts from customers	\$ 631,671
Payments to suppliers	(347,960)
Payments to employees	(262,944)
Net cash provided (used) by operating activities	<u>20,767</u>
<u>Cash flows from non-capital financing activities:</u>	
Transfers to other funds	(4,429)
Net cash provided (used) by non-capital financing activities	<u>(4,429)</u>
<u>Cash flows from capital and related financing activities:</u>	
Purchase of capital assets	(44,274)
Issuance of capital debt	-
Principal paid on capital debt	(65,000)
Interest paid on capital debt	(152,635)
Capital grants	50,000
Net cash provided (used) by capital and related financing activities	<u>(211,909)</u>
<u>Cash flows from investing activities:</u>	
Investment income	4,120
Net cash provided (used) by investing activities	<u>4,120</u>
Net increase (decrease) in cash and cash equivalents	(191,451)
Cash and cash equivalents, beginning of the year	<u>652,163</u>
Cash and cash equivalents, end of the year	<u>\$ 460,712</u>
Cash, including time deposits	\$ 311,964
Restricted cash, including time deposits	<u>148,748</u>
Total cash and cash equivalents, end of year	<u>\$ 460,712</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>	
Operating income (loss)	\$ (295,476)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	302,677
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	968
Increase (decrease) in accounts payable	7,489
Increase (decrease) in intercompany payables	-
Increase (decrease) in wages & benefits payable	<u>5,109</u>
Net cash provided (used) by operating activities	<u>\$ 20,767</u>

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization

The Town of Waukomis, OK (the "Town") is a Town Board of Trustees form of government with a population of approximately 1,280 located in Garfield County, Oklahoma. The Town is governed by a five-member Board and operates under state law and Town ordinances.

The Town provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, and through its Public Works Authority, certain utility services including water, wastewater and sanitation.

The Reporting Entity

The Town, for financial purposes, includes all the funds and account groups relevant to the operation of the Town of Waukomis. The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance Town services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the Town. Public trusts created to provide financing services are blended into the Town's primary government as an integral part of Town operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

Blended Component Units Reported with Primary Government

Waukomis Public Works Authority (the "Authority") – was created under provision of the Oklahoma Statutes by a Declaration of the Trust dated March 1969. The Town has beneficial interest and the Trustees of the Town serve as Trustees of the Authority. Town employees carry on the activities of the Authority. The Authority provides water, sewer, and trash services to the citizens of Waukomis, OK. Accounts of the Authority are recorded in business-type activities.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. The statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are 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 expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The Town has no fiduciary funds.

Measurement Focus and Basis of Accounting

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements and financial statements of the Town's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Unrestricted Fund Balance

When an expenditure is incurred for purposes for which amounts in either committed, assigned or unassigned fund balance are available for use, it is the Town's policy to use committed resources first, then assigned, then unassigned resources as needed.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

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

Major Proprietary Funds

FUND	BRIEF DESCRIPTION
<u>Waukomis Public Works Authority</u>	Accounts for the activities of the authority in providing water, sewer, and solid waste services to the public.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The Town Clerk submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and the allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for Town operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the Town Clerk and must be approved by the board of Trustees. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Board of Trustees review and approval process.

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, materials and supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Board. Within these control levels, management may transfer appropriations between departments without Board approval.

Budget Basis of Accounting

The combined statements of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

E. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments consist of long-term certificates of deposits and are reported at cost. Short-term investments are reported at cost, which approximates fair value.

Allowance for Uncollectible Accounts

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. Sales and Use taxes are considered fully collectable. The Town has established an allowance for collectible accounts based on management's prior experience using past due amounts more than 60 to 90 days. Management does not believe there are significant losses in excess of the allowance.

Property, Plant and Equipment

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. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- Buildings 20 years
- Other improvements 15 years
- Machinery, furniture & equipment 5 – 7 years
- Infrastructure 20-30 years

Fund Financial Statement

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

Long-Term Debt

In the government-wide and proprietary financial statements, outstanding debt is reported as a liability.

Equity Classifications
Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Board, the Town's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Town Board establishes such items.

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Net position

Both proprietary fund financial statements and government-wide financial statements report net position. Net investment in capital assets and legally restricted amounts are separated from unrestricted net position.

Net investment in capital assets

The amount restricted 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.

Restricted net position

Amounts reported as restricted consist of net position with constraints placed on their 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

This consists of net position that does not meeting the criteria of "restricted" or "net investment in capital assets".

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets and liabilities, the statement of financial position and the governmental fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

F. Revenues, Expenditures and Expenses

Sales Tax

The Town levied a 4% sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The sales tax received is recorded as sales tax revenue within the General fund.

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

Compensated Absences

Full-time employees are granted vacation benefits in specified amounts to specified maximums depending on tenure with the Town. Vacation leave accrues to full-time employees under a "use it or lose it" policy. Therefore, no vacation liability is accrued. Sick leave accrues up to 80 days. Sick leave is earned under a "use it or lose it" policy.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

A. Deficit Fund Net Position/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

B. Budget Requirements

For the year ended June 30, 2021, the Town did not comply with budget requirements.

C. Revenue Restrictions

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

REVENUE SOURCE	LEGAL RESTRICTIONS OF USE
Gasoline Excise/Commercial Vehicle Tax	Street and Alley Purposes

(3) **DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

A. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned, or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The Town invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
Governmental Activities				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 148,037	\$ 148,037	N/A	7.0
Total investments	148,037	148,037		
 Total governmental investments	\$ 148,037	\$ 148,037		

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

TOWN OF WAUKOMIS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Restricted assets consist of the following:

	Restricted Assets
	Cash and cash equivalents
Governmental Activities	
Capital Improvements	\$ 48,830
Emergency management	97,480
Council restriction	16,040
	\$ 162,350
Business-type Activities	
Debt service	\$ 85,849
Meter deposits	62,899
	\$ 148,748

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2021 follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Machinery, furniture, & equipment	\$ 176,441	\$ 106,341	\$ -	\$ 282,782
Improvements other than land	73,899	12,395	-	86,294
	\$ 250,340	\$ 118,736	\$ -	\$ 369,076
Total	120,562	41,960	-	162,522
Less accumulated depreciation	\$ 129,778	\$ 160,696	\$ -	\$ 206,554
Fixed assets, net	\$ 129,778	\$ 160,696	\$ -	\$ 206,554

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2021 follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Land and construction in process	\$ -	\$ -	\$ -	\$ -
Buildings & structures	3,800	-	-	3,800
Machinery, furniture, & equipment	4,623	35,649	-	40,272
Utility property and improvements	4,974,657	8,625	-	4,983,282
	4,983,080	44,274	-	5,027,354
Total	2,046,846	302,677	-	2,349,523
Less accumulated depreciation	\$ 2,936,234	\$ (258,403)	\$ -	\$ 2,677,831
Fixed assets, net	\$ 2,936,234	\$ (258,403)	\$ -	\$ 2,677,831

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets.

TOWN OF WAUKOMIS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:

General government	\$ 15,973
Public Safety	25,987
Total governmental activities depreciation expense	\$ 41,960

Depreciation expense charges to business-type activities:

Sewer	302,297
Water	380
Total business-type activities depreciation expense	\$ 302,677

C. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2021:

Business-Type Activities:

Series 2013 Revenue Bonds issued in October 2013 for \$3,180,000 with proceeds to be used for water and sewer improvements for the Town. Interest rates ranging from 4.0% to 5.5% maturing October 2043. Payments are made monthly to trustee bank, Bank of Oklahoma. \$ 2,775,000

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

<u>Type of Debt</u>	<u>Balance at July 1, 2020</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2021</u>	<u>Due Within One Year</u>
Business-type activities:					
<i>Bonds Payable</i>					
2013 Revenue bonds payable	2,840,000	-	65,000	2,775,000	65,000
Total business-type activities	\$ 2,840,000	\$ -	\$ 65,000	\$ 2,775,000	\$ 65,000

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2021 follow:

Year Ending June 30	<u>Business-type</u>	
	<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 65,000	\$ 145,900
2023	70,000	143,369
2024	70,000	140,744
2025	75,000	137,463
2026	80,000	133,394
2027-2031	455,000	598,369
2032-2036	600,000	456,263
2037-2041	785,000	270,153
2042-2043	575,000	48,813
Totals	<u>\$ 2,775,000</u>	<u>\$ 2,074,468</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2021 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Public Works Authority	\$ 440,922	\$ 436,494
Total General Fund	<u>440,922</u>	<u>436,494</u>
PUBLIC WORKS AUTHORITY		
General Fund	-	4,428
	-	4,428
GRAND TOTAL	<u>\$ 440,922</u>	<u>\$ 440,922</u>

(4) RETIREMENT PLANS

Oklahoma Municipal Retirement Fund: Defined Benefit Plan

Plan Description

The Oklahoma Municipal Retirement Fund Employee Retirement System of Waukomis, Oklahoma (the Plan) is a defined benefit retirement plan covering Town employees not covered by other plans. The Town contributes to the OMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The OMRF plan issues a separate financial report and can be obtained from OMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the Town Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's plan and additions to/deductions from the Town's fiduciary net position have been determined on the same basis as they are reported by OMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OMRF plans' fiduciary net position is available in the separately issued OMRF financial report.

Eligibility Factors and Benefit Provisions

Provision	July 1, 2020 through June 30, 2021
Eligibility	All regular, full-time employees except police, firefighters, and other employees who are covered under an approved system.

Probationary period	2 months
Employee Contributions	5.25% of pay
Service:	
Credited service	The last period of continuous employment with the employer
Vesting	Credited service plus transferred service from other OMRF employers.
Benefit eligibility	10 or more years of service
Final average compensation	Average of 5 highest consecutive years of salaries out of the last 10 years of service
Accrued benefit	Plan AA 2.625% of final average compensation multiplied by the number of years of credited service.
Normal retirement age	Age 65 with 10 or more years of vesting service
Normal retirement	
Eligibility	Termination of employment on or after normal retirement age.
Benefit	The accrued benefit payable immediately.
Early retirement	
Eligibility	Termination after age 55 with 10 or more years of vesting service
Benefit	The accrued benefit payable starting at normal retirement age, or the accrued benefit reduced by 5% per year for commencement prior to normal retirement age.
Disability Retirement	
Eligibility	Total and permanent disability after 10 or more years of service
Benefit	The accrued benefit payable upon disablement without reduction for early payment.
Termination Before Retirement Age	
Before vesting	Return of employee contributions, if any, with interest.
After vesting	The accrued benefit payable starting at normal retirement age, or a reduced benefit payable at an early retirement age
In-service Death	
Before vesting	Return of employee contributions, if any, with interest.
After vesting (married participants only)	50% of the accrued benefit is payable to the spouse until death or remarriage
After vesting (other participants)	50% of the accrued benefit is payable for 5 years certain
Payment options	
Normal form	Monthly lifetime annuity with 5 years certain
Optional forms	Disability retirement benefits paid under normal form. Actuarially equivalent optional forms: Joint & 50% survivor annuity Joint & 66 2/3rds% last survivor annuity Joint & 100% survivor annuity
Cost of living	This plan has not elected the automatic post-retirement cost-of-living adjustments.

Membership

Membership in the plan is as follows:

	As of July 1, 2020
Inactive employees receiving benefits	3
Active participants	6
Total	10

Contributions

Required contribution rates are actuarially measured each year and authorized through Town Ordinance. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. Employees are required to contribute 5.25% of paid salary. For the year ended June 30, 2021, the Town's contribution was 3.6%. Contributions to the pension plan from the Town were \$14,110 for the year ended June 30, 2021.

For the year ended June 30, 2021, the Town did not perform a pension accrual calculation as stated under GASB 68; therefore no pension liability or asset has been recorded related to the Plan.

Oklahoma Firefighter Pension and Retirement Plan

The Town of Waukomis, OK, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the Town were \$1,020 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the Town reported a liability of \$27,961 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Town's proportion of the net pension liability was based on the Town's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2020. Based upon this information the Town's proportion was 0.002270%.

For the year ended June 30, 2021, the Town recognized pension expense of \$5,399. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF WAUKOMIS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,564	\$ 375
Changes of assumptions	-	474
Net difference between projected and actual earnings on pension plan investments	1,978	1,567
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	1,020	-
Total	\$ 6,562	\$ 2,416

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 594
2022	1,154
2023	858
2024	520
2025	-

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	2.75% to 10.5% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Fixed income	20%	4.90%
Domestic equity	37%	7.07%
International equity	20%	9.19%
Real Estate	10%	7.99%
Other assets	13%	5.57%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF WAUKOMIS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net pension liability/(asset)	\$ 38,587	\$ 27,961	\$ 20,976

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

(5) COMMITMENTS AND CONTINGENCIES

A. Litigation

The Town is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town.

While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

B. Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often 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. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Town of Waukomis, Oklahoma
General Fund
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales taxes	\$ 158,570	\$ -	\$ 158,570	\$ 234,045	\$ 75,475
Use taxes	44,107	-	44,107	82,114	38,007
Other taxes	9,715	-	9,715	13,757	4,042
Franchise taxes	29,771	-	29,771	34,372	4,601
License and permits	4,250	-	4,250	2,483	(1,767)
Fines and forfeitures	191,000	-	191,000	348,545	157,545
Investment income	-	-	-	1,262	1,262
Charges for services	-	-	-	955	955
Intergovernmental	12,600	-	12,600	115,880	103,280
Miscellaneous	15,070	-	15,070	11,639	(3,431)
Total revenues	<u>465,083</u>	<u>-</u>	<u>465,083</u>	<u>845,052</u>	<u>379,969</u>
EXPENDITURES					
General government:					
General government	<u>300,250</u>	<u>-</u>	<u>300,250</u>	<u>407,996</u>	<u>(107,746)</u>
Total general government	<u>300,250</u>	<u>-</u>	<u>300,250</u>	<u>407,996</u>	<u>(107,746)</u>
Public safety and judiciary:					
Police	<u>291,000</u>	<u>-</u>	<u>291,000</u>	<u>323,784</u>	<u>(32,784)</u>
Fire	<u>56,000</u>	<u>-</u>	<u>56,000</u>	<u>48,387</u>	<u>7,613</u>
Total public safety and judiciary	<u>347,000</u>	<u>-</u>	<u>347,000</u>	<u>372,171</u>	<u>(25,171)</u>
Transportation:					
Street	<u>69,000</u>	<u>-</u>	<u>69,000</u>	<u>3,416</u>	<u>65,584</u>
Total transportation	<u>69,000</u>	<u>-</u>	<u>69,000</u>	<u>3,416</u>	<u>65,584</u>
Total expenditures	<u>716,250</u>	<u>-</u>	<u>716,250</u>	<u>783,583</u>	<u>(67,333)</u>
Revenue over (under) expenditures	(251,167)	-	(251,167)	61,469	447,302
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,429</u>	<u>4,429</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,429</u>	<u>4,429</u>
Revenues and other financing sources over (under) expenditures and other uses	(251,167)	-	(251,167)	65,898	451,731
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>266,151</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 332,049	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue, expenditure and transfer accruals				<u>321,762</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 653,811</u>	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Fire Pension Retirement Plan
 Year Ended June 30, 2021

	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>
City's portion of the net pension liability (asset)	0.0029%	0.0026%	0.0023%
City's proportionate share of the net pension liability (asset)	\$ 32,440	\$ 27,824	\$ 27,961
City's covered-employee payroll	\$ 6,774	\$ 7,201	\$ -
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	479%	386%	0%
Plan fiduciary net position as a percentage of the total pension liability	100.00%	100.00%	100.00%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan

	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>
Contractually required contribution	\$ 1,200	\$ 1,140	\$ 1,020
Contributions in relation to the contractually required contribution	<u>(1,200)</u>	<u>(1,140)</u>	<u>(1,020)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 6,774	\$ 7,201	\$ -
Contributions as a percentage of covered-employee payroll	17.71%	15.83%	0.00%

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

To the Town Board of Trustees
Town of Waukomis, 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, and each major fund of the Town of Waukomis, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Waukomis, Oklahoma's basic financial statements and have issued our report thereon dated March 15, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 that we consider to be significant deficiencies.

Compliance and Other Matters

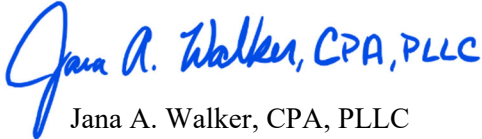
As part of obtaining reasonable assurance about whether the Town of Waukomis, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 items 2021-002.

Town of Waukomis, Oklahoma's Response to Findings

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

Purpose of this Report

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



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
March 15, 2022

**TOWN OF WAUKOMIS, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2021**

FINDING 2021-001 Lack of Segregation of Duties

Condition: The Town and Authority do not have adequate segregation of duties for internal control over financial reporting purposes due to a limited amount of personnel.

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Cause: The Town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect These conditions could result in material errors or fraud occurring and not be detected on a timely basis.

Recommendation: Recommend that duties be segregated to the extent possible should new employees be hired or services outsourced.

Response: The Town has administration and has outsourced its financial reporting, payroll procedures, and account reconciliations on a monthly basis to outside accounting consultants to the extent possible.

FINDING 2021-002 Negative Budget Variances

Condition: The Town had expenditures during the year ended June 30, 2021 in excess of appropriations in the department of general government (\$107,746) and public safety and judiciary (\$25,171).

Criteria: Expenditures are budgeted by department and object class as follows: personal services, other services and charges, materials and supplies, capital outlay, transfers, and debt services. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level.

Cause: The Town did not approve supplemental appropriations and/or transfers prior to expenditure.

Effect or Potential Effect: If all other appropriations had been fully expended, the Town would have created a negative fund balance.

**TOWN OF WAUKOMIS, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2021**

FINDING 2021-2 Negative Budget Variances (continued)

Recommendation: The Town Council should confirm available appropriations prior to approving expenditures. When appropriations are insufficient for an identified need, a budget revision should be approved by the Council prior to approving additional encumbrances or expenditures.

Response: The Town will approve amendments to the budget before the end of the current fiscal year.

**TOWN OF WAUKOMIS, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2021**

FINDING 2020-1 Lack of Segregation of Duties

Condition: The Town and Authority do not have adequate segregation of duties for internal control over financial reporting purposes due to a limited amount of personnel.

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Cause: The Town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect These conditions could result in material errors or fraud occurring and not be detected on a timely basis.

Recommendation: Recommend that duties be segregated to the extent possible should new employees be hired or services outsourced.

Response: The Town has new administration and has outsourced its financial reporting, payroll procedures, and account reconciliations on a monthly basis to outside accounting consultants.

FINDING 2020-2 Adequate Record Keeping

Condition: Several instances of missing invoices were noted during procedures along. There was a total of 8 invoices from 48 transactions could not be located and one invoice did not include an itemized statement to detail the expense. Additionally, there was an instance where the check register indicated check number 16550 was used to pay for the expense, but the bank statements indicated check number 16649 was used to pay for the expense.

Criteria: The governing body should have access to accurate financial reports supported with appropriate documentation on a timely basis to ensure they can carry out and manage the Town's assets appropriately.

Cause: The lack of formal policies and procedures being performed and/or followed on a timely basis, which is a result of management override of controls.

Effect or Potential Effect The effect of not maintaining effective internal control over financial reporting could result in material errors or fraud occurring and not be detected on a timely basis.

**TOWN OF WAUKOMIS, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2021**

FINDING 2020-2 Adequate Record Keeping (continued)

Recommendation: A detailed financial report should be provided to the board each month for approval, which includes access to any additional source documentation for verification of accuracy. Source documentation includes maintaining invoices, purchase orders, and bank statements for further verification as needed.

Response: The Town has a new administration and has outsourced its account reconciliations and financial reporting to outside accounting consultants.