

**Town of Langston City, Oklahoma**

**Financial Statements and Report  
of Independent Accountants**

**As of and For the Year Ending  
June 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Town of Langston City, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund of the Town of Langston City, Oklahoma as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Unmodified
Enterprise Fund	Unmodified

### **Basis for Qualified Opinion on Governmental Activities**

Management has not established policies and procedures for the recording of depreciation on governmental fixed assets as is required by accounting principles generally accepted in the United States of America. The amount by which this departure would affect the net assets and expenses of the governmental activities has not been determined.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities of the Town of Langston City, Oklahoma, as of June 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities each major fund of the Town of Langston City, as of June 30, 2018, 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.

### **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.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted the management’s discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019, on our consideration of the Town of Langston City, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Langston City, Oklahoma’s internal control over financial reporting and compliance.



Oklahoma City, Oklahoma  
November 21, 2019

**Town of Langston City**  
**Statement of Net Assets - Modified Cash Basis**  
**June 30, 2019**

	Governmental Activities	Business-Type Activities	Totals
<b>CURRENT ASSETS</b>			
Cash in Bank - Unrestricted	33,215.86	195,155.66	228,371.52
Cash in Bank - Restricted - USDA	-	94,759.98	94,759.98
Cash in Bank - Restricted	260,857.11	16,825.71	277,682.82
<b>Total Current Assets</b>	<u>294,072.97</u>	<u>306,741.35</u>	<u>600,814.32</u>
<b>PROPERTY AND EQUIPMENT</b>			
Capital Assets, net	<u>1,381,648.65</u>	<u>2,954,134.31</u>	<u>4,335,782.96</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,675,721.62</u>	<u>\$ 3,260,875.66</u>	<u>\$ 4,936,597.28</u>
<b>CURRENT LIABILITIES</b>			
Current Portion of Long Term Debt	6,427.98	22,567.80	28,995.78
Meter Deposits	-	17,898.14	17,898.14
<b>Total Current Liabilities</b>	<u>6,427.98</u>	<u>40,465.94</u>	<u>46,893.92</u>
<b>LONG-TERM LIABILITIES</b>			
Notes Payable and Capital Lease	<u>9,327.88</u>	<u>1,155,897.49</u>	<u>1,165,225.37</u>
<b>TOTAL LIABILITIES</b>	<u>15,755.86</u>	<u>1,196,363.43</u>	<u>1,212,119.29</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,365,892.79	1,775,669.02	3,141,561.81
Restricted for Debt Service	-	94,759.98	94,759.98
Restricted for Other Purposes	260,857.11	16,825.71	277,682.82
Unrestricted	<u>33,215.86</u>	<u>177,257.52</u>	<u>210,473.38</u>
<b>TOTAL NET ASSETS</b>	<u>1,659,965.76</u>	<u>2,064,512.23</u>	<u>3,724,477.99</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,675,721.62</u>	<u>\$ 3,260,875.66</u>	<u>\$ 4,936,597.28</u>

**Town of Langston City**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ending June 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (expense) revenue and Changes in net assets		Total
		Charges for Services	Capital Grants	Primary Government Governmental Activities	Business-Type Activities	
<b>Primary Government</b>						
<b>Governmental Activities</b>						
General Government	153,883.69	107,986.18	3,829.75	(42,067.76)	-	(42,067.76)
Police Department	205,711.52	231,515.97	-	25,804.45	-	25,804.45
Fire Department	92,170.52	90,229.30	-	(1,941.22)	-	(1,941.22)
Streets Department	195,506.63	4,757.70	-	(190,748.93)	-	(190,748.93)
<b>Total Governmental Activities</b>	<b>647,272.36</b>	<b>434,489.15</b>	<b>3,829.75</b>	<b>(208,953.46)</b>	<b>-</b>	<b>(208,953.46)</b>
<b>Business-Type Activities</b>						
Water, Sewer & Sanitation	471,996.91	513,803.14	-	-	41,806.23	41,806.23
<b>Total Business-Type Activities</b>	<b>471,996.91</b>	<b>513,803.14</b>	<b>-</b>	<b>-</b>	<b>41,806.23</b>	<b>41,806.23</b>
<b>Total Primary Government</b>	<b>\$1,119,269.27</b>	<b>\$ 948,292.29</b>	<b>\$ 3,829.75</b>	<b>\$ (208,953.46)</b>	<b>\$ 41,806.23</b>	<b>\$ (167,147.23)</b>
<b>General Revenues</b>						
Sales Taxes				117,416.91	-	117,416.91
Franchise Taxes				13,038.97	-	13,038.97
Alcoholic Beverage Taxes				35,556.59	-	35,556.59
Other Taxes				6,331.69	-	6,331.69
<b>Total General Government Revenue</b>				<b>172,344.16</b>	<b>-</b>	<b>172,344.16</b>
Change in Net Assets				(36,609.30)	41,806.23	5,196.93
Net Assets Beginning				1,696,575.06	2,022,706.00	3,719,281.06
Net Assets Ending				<u>\$ 1,659,965.76</u>	<u>\$ 2,064,512.23</u>	<u>\$ 3,724,477.99</u>

The accompanying footnotes are an integral part of these financial statements

**Town of Langston City  
Governmental Funds  
Balance Sheet - Modified Cash Basis  
June 30, 2019**

	General Fund	Total Governmental Fund
<b>ASSETS</b>		
Cash in Bank - Unrestricted	33,215.86	33,215.86
Cash in Bank - Restricted	260,857.11	260,857.11
<b>Total Assets</b>	<b>\$ 294,072.97</b>	<b>\$ 294,072.97</b>
<b>LIABILITIES</b>		
<b>NET ASSETS</b>		
Restricted Fund Balance	260,857.11	260,857.11
Unassigned Fund Balance	33,215.86	33,215.86
<b>TOTAL NET ASSETS</b>	<b>294,072.97</b>	<b>294,072.97</b>
<b>TOTAL LIABILITIES AND NET AS</b>	<b>\$ 294,072.97</b>	<b>\$ 294,072.97</b>

*Reconciliation of Total Governmental Fund Balance to  
Net Assets of Governmental Activities*

Total Governmental Fund Balances	\$ 294,072.97
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital Leases obtained in governmental activities are not financial obligations by current expenditures in the funds	(15,755.86)
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,381,648.65
Net Assets of Governmental Activities	<b>\$ 1,659,965.76</b>

**Town of Langston City  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Net Assets  
Modified Cash Basis  
For the Year Ending June 30, 2019**

	General Fund	Total Governmental Funds
<b>Revenues</b>		
Taxes	267,331.16	\$ 267,331.16
Fines	223,115.97	223,115.97
Grants	3,829.75	3,829.75
Other Revenues	116,386.18	116,386.18
<b>Total Revenues</b>	610,663.06	610,663.06
<b>Expenditures</b>		
Personal Services	226,190.94	226,190.94
Other Services and Charges	111,937.69	111,937.69
Maintenance and Operations	309,143.73	309,143.73
Debt Service Principal	6,299.98	6,299.98
<b>Total Expenditures</b>	653,572.34	653,572.34
Excess revenues over (under) expenditures	(42,909.28)	(42,909.28)
<b>Other Financing Sources (Uses)</b>		
<b>Net Change in Fund Balance</b>	(42,909.28)	(42,909.28)
Fund Balance at beginning of year	1,696,575.06	336,982.25
Fund Balance at end of year	\$ 1,653,665.78	\$ 294,072.97

***Reconciliation of Fund Financial Statements to  
Governmental Wide Financial Statements***

Change in Net Assets, Fund Financial Statements	(42,909.28)
Debt service is recorded as an expenditure in the fund financial statements but as a reduction of debt in the government wide statements	6,299.98
Change in Net Assets per the Governmental Wide Financial Statements	\$ (36,609.30)



**Town of Langston City**  
**Proprietary Fund**  
**Statement of Net Assets - Modified Cash Basis**  
**June 30, 2019**

**ASSETS**

**Current Assets:**

Cash in Bank - Unrestricted	195,155.66
Cash in Bank Restricted - USDA	94,759.98
Cash in Bank - Restricted	<u>16,825.71</u>
<b>Total Current Assets</b>	<b>306,741.35</b>

**Noncurrent Assets**

Capital Assets, net	<u>2,954,134.31</u>
<b>Total Noncurrent Assets</b>	<u>2,954,134.31</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,260,875.66</u></b>

**LIABILITIES**

**Current Liabilities:**

Meter Deposits	17,898.14
Current Portion of Long Term Debt	<u>22,567.80</u>
<b>Total Current Liabilities</b>	<b>40,465.94</b>

**Noncurrent Liabilities:**

Notes Payable and Capital Lease	<u>1,155,897.49</u>
<b>Total Noncurrent Liabilities</b>	<u>1,155,897.49</u>
<b>TOTAL LIABILITIES</b>	<b>1,196,363.43</b>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	1,775,669.02
Restricted for Debt Service	94,759.98
Restricted for Other Purposes	17,898.14
Unrestricted - Net Assets	<u>176,185.09</u>
<b>TOTAL NET ASSETS</b>	<u>2,064,512.23</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,260,875.66</u></b>

**Town of Langston City**  
**Proprietary Fund**  
**Statement of Revenues, Expenditures and Changes in Net Assets**  
**Modified Cash Basis**  
**For the Year Ending June 30, 2019**

<b>Operating Revenues:</b>	
Water	118,154.45
Sewer	333,914.75
Sanitation	61,733.94
<b>Total Operating Revenues</b>	<u>513,803.14</u>
<b>Operating Expenditures:</b>	
Personnel Services	116,348.68
Other Services and Charges	32,371.77
Maintenance and Operations	273,399.95
<b>Total Operating Expenditures</b>	<u>422,120.40</u>
Operatings Income (Loss)	91,682.74
<b>Nonoperating Revenues (Expenses)</b>	
Interest Expense	(49,876.51)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(49,876.51)</u>
<b>Change in Net Assets</b>	41,806.23
<b>Net Assets at beginning of year</b>	<u>2,022,706.00</u>
<b>Net Assets at end of year</b>	<u><u>\$ 2,064,512.23</u></u>

**Town of Langston City  
Proprietary Fund  
Statement of Cash Flows - Modified Cash Basis  
For the Year Ending June 30, 2019**

<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 513,803.14
Interest paid on long term debt	(49,876.51)
Payments to suppliers	(271,860.72)
Payments to employees	<u>(116,348.68)</u>
<b>Net cash provided by operating activities</b>	<b>75,717.23</b>
 <b>Cash flows from capital and related financing activities</b>	
Change in meter deposits	909.30
Principal paid on long term debt	<u>(21,643.49)</u>
<b>Net cash flows from capital and related financing activities</b>	<b>(20,734.19)</b>
 <b>Net increase (decrease) in cash</b>	 <b>54,983.04</b>
 Cash, Beginning of the Year	 <u>251,758.31</u>
<b>Cash, End of the Year</b>	<b><u>\$ 306,741.35</u></b>
 <i>Reconcilement of change in net assets to net cash provided by operations</i>	
Change in Net Assets	41,806.23
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	<u>33,911.00</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 75,717.23</u></b>

**Town of Langston City, Oklahoma**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**Note 1-Summary of Significant Accounting Policies**

Financial Reporting Entity

The Town of Langston City, Oklahoma is a statutory town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, public works and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2019, the Town had only one component unit, the Langston Public Works Authority.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are grouped into two governmental fund types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2019, the Town had governmental funds of general fund, street and alley fund, and volunteer fire department fund. The proprietary funds consisted of the Langston Public Works Authority.

Basis of Accounting

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the modified cash basis of accounting. Revenues are recognized when collected and expenses are recognized when paid. This is the same approach used in the preparation of the proprietary fund financial statements. The fund financial statements also use the modified cash basis of accounting. The government-wide statements record fixed assets and long-term debt as assets and liabilities. The fund financial statements record fixed assets as expenditures. The fund financial statements records the proceeds of long term debt as a revenue and the repayment of long term debt as an expenditures. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are

allocated among programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

#### FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

#### PROPRIETARY FUNDS

The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable, then Government Accounting Standards Board pronouncements are used

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of monies held in conjunction with the Langston City Public Works Authority's meter deposits requirements and restricted county sales tax proceeds for the Langston City Volunteer Fire Department.

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2019.

#### Budget

In accordance with Oklahoma Statutes, Title 11, Section 3002, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Budget Act.

#### Risk Management

Significant losses are covered by commercial insurance for all Town operations.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Government-wide Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

- a. Invested in capital assets, net of related debt- consist of the historical cost of capital assets, loan proceeds that have not been spent less accumulated depreciation and less any debt that remains.
- b. Restricted net assets, consist of net assets that are restricted by the Town's creditors, by the state enabling legislation, by grantors and by other contributors.
- c. Unrestricted, all other net assets are reported in this category.

## Governmental Fund Balances

- a. Nonspendable, amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted, amounts that can be spent only for specific purposes because of the Town's ordinances, state or federal law, or externally imposed conditions by grantors or creditors.
- c. Committed, amounts that can be used only for specific purposes determined by a formal action by Board of Trustee's resolution.
- d. Assigned, amounts that are designated by the Board of Trustees

## Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets) the Town's policy is to first apply the expense toward the restricted resources and then toward unrestricted resources. In governmental funds, the town's policy is to first apply the expenditure toward restricted fund balances and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

### **Note 2-Deposits with Financial Institutions**

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Langston City is considered a separate entity from the Langston Public Works Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Langston City's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of \$250,000 for the governmental funds and \$250,000 for the Langston Public Works Authority. The remaining funds would be category 3.

### Note 3-Capital Assets and Depreciation

Capital Asset activity for the year ended June 30, 2019 was as follows:

#### Governmental Funds

	Beginning Balance	Increases	Decreases	Ending Balance
Vehicles	\$ 147,350	-	-	\$ 147,350
Buildings and Improvements	1,234,294	-	-	1,234,294
Total	\$ 1,381,644	-	-	\$ 1,381,644
Accumulated Depreciation	-	-	-	-
Net Assets	<u>\$ 1,381,644</u>			<u>\$ 1,381,644</u>

As of June 30, 2019, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. No depreciation was charged to government assets for the year ending June 30, 2019.

#### Public Works Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Vehicles and Equipment	\$ 92,383	-	-	\$ 92,383
Water & Sewer System	3,427,221	-	-	3,427,221
Total	\$ 3,519,604			\$ 3,519,604
Accumulated Depreciation	(531,558)	(33,911)	-	(565,469)
Net Assets	<u>\$ 2,988,046</u>			<u>\$ 2,954,135</u>

As of June 30, 2019, the Public Works Authority had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of \$33,911 for the Public Works Authority was recorded as follows: Water & Sewer System.

### Note 4- Notes Payable and Capital Lease

As of June 30, 2019 the Langston Public Works Authority had two obligations payable to the United States Department of Agriculture.

The first note payable had an outstanding balance of \$562,438 as of June 30, 2019. This note carries an interest rate of 4.125% and requires monthly payment of \$2,827. Collateral for this loan are the revenues generated by the utility system.

The second note payable had an outstanding balance of \$616,438 as of June 30, 2019. This note carries an interest rate of 4.250% and requires monthly payment of \$3,133. Collateral for this loan are the revenues generated by the utility system.

Principal and interest required to amortize these loans to maturity is as follows:

	Note One		Note Two	
	Interest	Principal	Interest	Principal
2018/2019	22,978	10,946	25,974	11,622
2019/2020	22,518	11,406	25,470	12,126
2020-2021	22,039	11,885	24,945	12,651
2021/2022	21,539	12,385	24,397	13,199
2022/2023	21,018	12,906	23,525	13,772
2023/2028	96,483	73,137	109,635	78,344
2028/2033	79,761	89,859	91,123	96,857
2033/2038	59,217	110,402	68,235	119,745
2038/2043	33,976	135,646	39,939	148,041
2043/2047	5,909	93,455	7,661	110,081
Totals	<u>\$ 385,438</u>	<u>\$ 562,027</u>	<u>\$ 440,904</u>	<u>\$ 616,438</u>

Principal paid on the two obligations during the year ending June 30, 2018 was as follows:

	Note One	Note Two
Balance, Beginning of Year	572,532	627,577
Principal Paid During Year	(10,505)	(11,139)
Balance, End of Year	<u>\$ 562,027</u>	<u>\$ 616,438</u>
Interest Paid	<u>\$ 26,457</u>	<u>\$ 23,420</u>

During the year ending June 30, 2018 the town incurred a capital lease for the purchase of a police vehicle. The original lease obligation was for \$31,781. The lease carries an interest rate of 1.99% with 37 monthly payments of \$556.92. The balance at June 30, 2019 was \$15,756. The asset was capitalized at \$31,781. Monies required to amortize this lease are as follows.

	Interest	Principal
2019/2020	255	6,428
2020/2021	126	6,557
2021/2022	14	2,771
	<u>\$ 395</u>	<u>\$ 15,756</u>
Interest and Principal Paid	<u>\$ 382</u>	<u>\$ 6,301</u>



**Note 5-Subsequent Events**

Subsequent events have been evaluated through November 21, 2019, which is the date the financial statements were issued.

**Note 6-Compensated Absences**

It is the Town’s Policy to permit employees earned but unused vacation time. Full-time regular employees are granted vacation and sick leave benefits in varying amounts to specified maximum depending on tenure with the Town. At June 30, 2018 the Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

**Note 7 – Transfers In/Out**

During the year ending June 30, 2019 the Town and the Langston Public Works Authority had no transfers.

**Note 8 – Restricted Cash**

	<u>General Fund</u>	<u>Langston Public Works Authority</u>
USDA		94,760
County Fire Sales Tax	221,470	
Sewer Monies		3,376
Cemetary Monies	4,997	
Police Property Monies	9,975	
Meter Deposits		13,449
Unspent Grant Monies	24,415	1
Totals	<u>\$ 260,857</u>	<u>\$ 111,586</u>

The Town has monies restricted for debt service and major repairs as required by the United States Department of Agriculture. Logan County sales tax monies are restricted for use by the Langston City fire department. Meter deposits are monies on deposit and subject to refund to utility customers. Unspent grant monies represent grants received that have not been spent or full expended. Unspent loan monies are funds that have been received as part of a debt issue but have yet to be expended.

## Russell & Williams CPA's PC

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

To the Board of Trustees  
Town of Langston City, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Langston City, Oklahoma as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Langston City, Oklahoma's basic financial statements and have issued our report thereon dated November 21, 2019.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Langston City, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Langston City, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Langston City, 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Findings 2018-1, 2018-2 and 2018-3.

#### **Compliance and Other Matters**

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

### **Town of Langston City, Oklahoma's Response to Findings**

The Town of Langston City, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Langston City, 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.

A handwritten signature in black ink that reads "Ronald & Williams CPAs PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
November 21, 2019

## **Schedule of Findings and Questioned Costs**

### **2019-1 Fixed Asset Accounting – Repeat Finding**

**CONDITION:** During our audit we observed that the Town was not maintaining a depreciation schedule nor was the Town's outside accounting firm tracking fixed assets.

**CRITERIA:** Fixed assets represent a significant public investment and accounting standards require the recording of depreciation.

**CAUSE OF CONDITION:** Historically governmental entities use the current resources measurement focus of accounting. The emphasis was on current year resource inflows and outflows. Since the emphasis is on current outflows the purchase of capital assets is often times expensed in the accounting records and not capitalized as is required by accounting principles

**EFFECT OF CONDITION:** Without a detail listing of assets the accurate tracking of depreciation is not possible. The absence of a detail list leaves the Town open to having assets misappropriated.

**RECOMMENDATION:** The Town should develop a fixed asset list.

**MANAGEMENT RESPONSE:** Management is in the process of developing a detail fixed asset list.

### **2019-2 Meter Deposit Accounting – Repeat Finding**

**CONDITION:** During our audit we observed that the Town is not maintaining a detail list of customers who have deposits with the Langston Public Works Authority. These funds are the deposits the customers give the Town when the customer commences utility service.

**CRITERIA:** Sound accounting polices dictate that all liabilities have adequate detail to support the balances.

**CAUSE OF CONDITION:** The meter deposit function that is available in the utility billing software has not been fully updated and utilized.

**EFFECT OF CONDITION:** The Town does not have an accurate accounting of who is due money and what the amount should be.

**RECOMMENDATION:** The Town staff develop a detail list of individuals and the amounts due to each individual.

**MANAGEMENT RESPONSE:** Management is developing a plan to accumulated the needed funds.

### **2019-3 Meter Fund Cash Accounts Not Adequate – Repeat Finding**

**CONDITION:** During our audit we observed that the dedicated bank accounts did not have adequate funds for the liability that needed to be funded.

**CRITERIA:** State law requires the meter monies collected as deposits for commencement of service be deposited into a separate banking accounts and only be used to refund customers or pay final bills.

**CAUSE OF CONDITION:** Deposit monies have not been deposited as required and or monies have been removed from the account and used for purposes not allowed.

**EFFECT OF CONDITION:** The deposit account is not adequate to cover the liability and the Town might have to use operating monies to pay customers.

**RECOMMENDATION:** The Town shift monies from other unrestricted resources to fully fund the meter cash account.

**MANAGEMENT RESPONSE:** Management is in the process of loading the required information into the utility billing software.