

AUDIT REPORT

TOWN OF KENEFIC, OKLAHOMA

JUNE 30, 2022



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TOWN OF KENEFIC, OKLAHOMA
JUNE 30, 2022

Table of Contents

Introductory Section:

List of Council Members.....	3
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Independent Auditor's Report.....	4-7
-----------------------------------	-----

Basic Financial Statements:

Government-Wide Financial Statements:

Exhibit A Statement of Net Position – Modified Cash Basis.....	8
Exhibit B Statement of Activities – Modified Cash Basis.....	9

Fund Financial Statements:

Exhibit C Balance Sheet – Governmental Funds – Modified Cash Basis.....	10
Exhibit D Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund – Modified Cash Basis.....	11-12
Exhibit E Statement of Net Position – Proprietary Fund – Modified Cash Basis ..	13
Exhibit F Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund – Modified Cash Basis.....	14
Exhibit G Statement Cash Flows – Proprietary Fund – Modified Cash Basis	15

Notes to Financial Statements	16-28
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Report Required by *Government Auditing Standards*:

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30
Schedule of Findings.....	31

TOWN OF KENEFIC, OKLAHOMA
LIST OF COUNCIL MEMBERS
JUNE 30, 2022

TOWN COUNCIL

<u>NAME</u>	<u>POSITION</u>
Allen David Hicks	Mayor
April Cook	Council Member
Robert Brewer	Council Member

Unaudited

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Kenefic, Oklahoma

Report on the Audit of the Financial Statements

Opinions

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

Summary of Opinions

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Governmental Activities	Qualified
Business-Type Activities	Qualified
Governmental Fund - General Fund	Qualified
Enterprise Fund - Kenefic PUA Fund	Qualified

Qualified Opinions on Governmental Activities, Business-Type Activities, General Fund, KPUA Fund

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinions section my report, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, business-type activities, and each major fund of the Town of Kenefic as of June 30, 2022, and the respective changes in modified cash-basis financial position and where applicable, cash flows thereof for the year then ended in accordance with modified cash basis of accounting described in Note 1.

Basis for Qualified Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements

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section of my report. I am required to be independent of the Town of Kenefic, Oklahoma and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinions.

Matters Giving Rise to Qualified Opinions on Governmental Activities, Business-Type Activities, General Fund and KPUA Fund

The Town records is business-type activities within the governmental funds, primarily the General Fund. The modified cash basis of accounting requires the Town to report, in a financial statement format, its business-type activities separate from its governmental activities. Although the Town now has separate accounts for the Sewer, Water Deposits, Water Wells and Reserve Accounts, funds are still being commingled in the General Fund Account. The amount by which this departure would affect the assets, net position, and expenditures/expenses of the Governmental Activities, Business-Type Activities, General Fund and KPUA Fund is not readily determinable.

Emphasis of Matter - Basis of Accounting

I 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. My opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance

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but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, I

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

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

Supplementary and Other Information

The introductory information section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures

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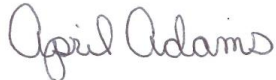
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applied in my audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 1, 2022, on my consideration of the Town of Kenefic's internal control over financial reporting and my 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 my 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 Town of Kenefic'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 Town of Kenefic's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

December 1, 2022

TOWN OF KENEFIC, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2022 Total</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash in Bank - Unrestricted	\$ 127,863	\$ 3,137	\$ 131,000
Cash in Bank - Restricted	-	27,511	27,511
Total Current Assets	127,863	30,648	158,511
<u>Capital Assets:</u>			
Construction in Progress	-	342,541	342,541
Capital Assets, Net of Accum. Depr.	18,347	920,355	938,702
Total Capital Assets	18,347	1,262,896	1,281,244
TOTAL ASSETS	\$ 146,210	\$ 1,293,544	\$ 1,439,754
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Payroll Taxes Payable	\$ -	\$ -	\$ -
Customer Deposits	-	9,689	9,689
Notes Payable - Current Portion	-	4,568	4,568
Total Current Liabilities	-	14,257	14,257
<u>Long-Term Liabilities:</u>			
Notes Payable	-	86,756	86,756
Less: Current Maturities	-	(4,568)	(4,568)
Total Long-Term Liabilities	-	82,188	82,188
TOTAL LIABILITIES	-	96,445	96,445
<u>NET POSITION</u>			
Net investment in capital assets	18,347	1,176,140	1,194,488
Restricted for:			
Debt Service	-	16,585	16,585
Other Purposes	-	-	-
Unrestricted	127,863	4,375	132,238
TOTAL NET POSITION	146,210	1,197,100	1,343,310
TOTAL LIABILITIES & NET POSITION	\$ 146,210	\$ 1,293,544	\$ 1,439,754

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF KENEFIC, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General Government	\$ 53,889	\$ -	\$ -	\$ 518,113	\$ 464,225
Public Safety	-	-	-	-	-
Highways & Streets	875	-	-	-	(875)
Debt Service - Interest	-	-	-	-	-
Total Governmental Activities	<u>54,764</u>	<u>-</u>	<u>-</u>	<u>518,113</u>	<u>463,350</u>
Business-type activities:					
Water, Sewer & Sanitation	75,022	64,698	-	-	(10,324)
Total Business-type Activities	<u>75,022</u>	<u>64,698</u>	<u>-</u>	<u>-</u>	<u>(10,324)</u>
Total	<u>\$ 129,786</u>	<u>\$ 64,698</u>	<u>\$ -</u>	<u>\$ 518,113</u>	<u>\$ 453,026</u>

Changes in Net Position:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ 463,350	\$ (10,324)	\$ 453,026
General revenues:			
Taxes:			
Sales Tax	5,945	-	5,945
Use Tax	3,888	-	3,888
Cigar Tax	44	-	44
Intergovernmental:			
Alcoholic Beverage Tax	2,574	-	2,574
Gasoline Excise Tax	286	-	286
Motor Vehicle Tax	1,693	-	1,693
Miscellaneous Income	19,100	-	19,100
Interest Income	-	27	27
Transfers - Internal Activity	(377,818)	377,818	-
Total general revenues & transfers	<u>(344,289)</u>	<u>377,845</u>	<u>33,557</u>
Changes in Net Position	119,061	367,521	486,583
Net Position - beginning	27,149	829,579	856,728
Net Position - prior year adjustment	-	-	-
Net Position - ending	<u>\$ 146,210</u>	<u>\$ 1,197,100</u>	<u>\$ 1,343,310</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF KENEFIC, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 127,863	\$ -	\$ 127,863
TOTAL ASSETS	\$ 127,863	\$ -	\$ 127,863
<u>LIABILITIES & FUND EQUITY</u>			
<u>LIABILITIES:</u>			
Accounts Payable	\$ -	\$ -	\$ -
Payroll Taxes Payable	-	-	-
TOTAL LIABILITIES	-	-	-
<u>FUND BALANCES:</u>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	127,863	-	127,863
TOTAL FUND BALANCES	127,863	-	127,863
TOTAL LIABILITIES AND FUND BALANCES	\$ 127,863	\$ -	\$ 127,863

Reconciliation to Statement of Net Position:

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities of \$54,492, net of accumulated depreciation of \$36,144, are not financial resources and, therefore, are not reported in the funds.	18,347
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Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	-
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Net Position of Governmental Activities	\$ 146,210
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See Accountant's Audit Report & Notes Which Accompany These Financial Statements

EXHIBIT D

TOWN OF KENEFIC, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>			
Taxes:			
Sales Tax	\$ 5,945	\$ -	\$ 5,945
Use Tax	3,888	-	3,888
Cigar Tax	44	-	44
Intergovernmental:			
Alcoholic Beverage Tax	2,574	-	2,574
Gasoline Excise Tax	286	-	286
Motor Vehicle Tax	1,693	-	1,693
Grants	518,113	-	518,113
Miscellaneous Income	19,100	-	19,100
Interest Income	-	-	-
TOTAL REVENUES	551,643	-	551,643
<u>EXPENDITURES:</u>			
Current:			
General Government:			
Personal Services	34,844	-	34,844
Maintenance & Operations	18,444	-	18,444
Debt Service	-	-	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	53,288	-	53,288
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	498,355	-	498,355
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfers In	65,229	-	65,229
Operating Transfers Out	(443,047)	-	(443,047)
Capital Debt Proceeds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(377,818)	-	(377,818)
NET CHANGES IN FUND BALANCES	120,537	-	120,537
FUND BALANCE - BEGINNING OF YEAR	7,326	-	7,326
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-
FUND BALANCE - END OF YEAR	\$ 127,863	\$ -	127,863

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

EXHIBIT D (CONTINUED)

TOWN OF KENEFIC, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$	120,537
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Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Capital debt obligation principal payments		-
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Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Position:

Capital Debt Proceeds		-
		-

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized		-
Depreciation expense		(1,475)

	\$	119,061
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See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF KENEFIC, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2022

	Kenefic Public Utility Authority Enterprise Fund June 30, 2022
<u>ASSETS:</u>	
Current Assets:	
Cash in Bank - Unrestricted	\$ 3,137
Cash in Bank - Restricted	27,511
	<hr/>
Total Current Assets	30,648
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Noncurrent Assets:	
Construction in progress	342,541
Capital assets, net of accumulated depreciation	920,355
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Total Noncurrent Assets	1,262,896
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TOTAL ASSETS	\$ 1,293,544
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<u>LIABILITIES:</u>	
Current Liabilities:	
Payroll Taxes Payable	\$ -
Customer Deposits	9,689
Notes Payable - Current Maturities	4,568
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Total Current Liabilities	14,257
	<hr/>
Noncurrent Liabilities:	
Notes Payable	86,756
Less: Current Maturities	(4,568)
	<hr/>
Total Noncurrent Liabilities	82,188
	<hr/>
TOTAL LIABILITIES	96,445
	<hr/>
<u>NET POSITION:</u>	
Net investment in capital assets	1,176,140
Restricted for debt service	16,585
Unrestricted	4,375
	<hr/>
TOTAL NET POSITION	1,197,100
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TOTAL LIABILITIES & NET POSITION	\$ 1,293,544
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See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF KENEFIC, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Kenefic Public Utility Authority Enterprise Fund June 30, 2022
<u>OPERATING REVENUES:</u>	
Charges for Services:	
Water Revenue	\$ 64,698
Sewer Revenue	-
Miscellaneous Income	-
TOTAL OPERATING REVENUES	64,698
<u>OPERATING EXPENSES:</u>	
Personal Services	-
Maintenance & Operations	32,718
Depreciation	39,375
TOTAL OPERATING EXPENSES	72,093
NET OPERATING INCOME (LOSS)	(7,394)
NON-OPERATING REVENUES (EXPENSES)	
Grant Revenues	-
Grant Expenses	-
Interest Income	27
Interest Expense	(2,929)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,902)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(10,297)
Transfers in	443,047
Transfers out	(65,229)
CHANGE IN NET POSITION	367,521
TOTAL NET POSITION - BEGINNING	829,579
TOTAL NET POSITION - PRIOR YEAR ADJUSTMENT	-
TOTAL NET POSITION - ENDING	\$ 1,197,100

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF KENEFIC, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 64,698
Payments to Suppliers for Goods & Services	(32,718)
Payments to Employees & Laborers	-
Receipts of Customer Utility Deposits, Net of Refunds	500
Net Cash Provided (Used) by Operating Activities	<u>32,481</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfers to other funds	(65,229)
Transfers from other funds	443,047
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>377,818</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Capital Grant	-
Additions to Capital Assets	(399,930)
Proceeds from sale of Capital Assets	-
Loan Proceeds received	-
Principal paid on Notes Payable	(7,371)
Interest paid	(2,929)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(410,230)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest Income	27
Net Cash Provided (Used) by Investing Activities	<u>27</u>
Net Increase (Decrease) in Cash and Cash Equivalents	96
Cash & Cash Equivalents, Beginning of Year	30,552
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	<u><u>\$ 30,648</u></u>
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>	
Operating Income (Loss)	\$ (7,394)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	39,375
Increase(Decrease) in Water Deposits	500
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 32,481</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF KENEFIC, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. The Reporting Entity

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

Primary Government:	Town of Kenefic
Blended Component Units:	Kenefic Public Utility Authority (KPUA)

PRIMARY GOVERNMENT

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

BLENDED COMPONENT UNITS

A blended component unit is a separate legal entity for which the elected officials of the primary government are financially accountable and that meets the blended component unit criteria. A blended component unit meets at least one of the following criteria: (a) the blended component unit's governing body is the same or substantially the same as the Town Council, and there is a financial benefit or burden relationship with the Town, or Town management has operational responsibility for the component unit; (b) the component unit provides services entirely or almost entirely to the Town; or (c) the component unit's debt is expected to be repaid entirely or almost entirely with resources of the Town. The blended component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The Town's blended component unit is presented subsequently:

TOWN OF KENEFIC, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

INCLUDED COMPONENT UNIT

Kenefic Public Utility Authority

In evaluating how to define the Town of Kenefic, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestation of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. The public utility component unit is included in the financial statements.

B. 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 funds types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2022, the Town had governmental funds of general fund and cemetery care. The proprietary funds consisted of the Kenefic Public Utility Authority.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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 services.

TOWN OF KENEFIC, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, cash receipts, cash disbursements, and certain accruals. The Town maintains a separate bank account for each fund. All bank accounts are at institutions, which are FDIC insured.

Governmental Fund Types

The General Fund is the general operating fund of the Town.

Proprietary Fund Types

The Utility Authority Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing services, such as sewer, on a continuing basis, are financed through user charges, paid by the general public. Proprietary fund types utilize the modified cash basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All proprietary fund fixed assets are valued at estimated historical cost, or if contributed property, at its estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses: renewals and betterments are capitalized.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide State of Net Position and Statement of Activities, both governmental and business-like activities are presented used the economic resources measurement focus, within the limitations of the modified cash basis of accounting, subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

TOWN OF KENEFIC, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determinations of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

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

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual

TOWN OF KENEFIC, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. Financial Position

Cash and Cash Equivalents

The statement of cash flows for proprietary fund types explains the change in cash and cash equivalents during the fiscal period. For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Restricted cash consists of monies held in conjunction with the Kenefic Public Utility Authority's bond indenture requirements.

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, 2022.

Accounts Receivable

As a result of the use of the modified cash basis of accounting, accounts receivable and other revenue related receivables are not required, but may be reported in the financial statements.

Inventories

The Town records materials and supplies inventory as expenditures at the time the inventory is purchased; therefore, no inventory balances for materials and supplies not yet consumed are reported in the combined statement of assets, liabilities and fund balances.

Property & Equipment

Property and equipment for the proprietary fund type are recorded at their historical cost; these assets are depreciated over the estimated useful life of the related asset.

TOWN OF KENEFIC, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Capitalization Policy

Purchases of capital items in excess of \$2,000.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

Equity Classification

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

1. Net investment in capital assets – 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 improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Town's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally

TOWN OF KENEFIC, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The Town does not have any Special Revenue Funds.

E. Revenues, expenditures and expenses

Property Tax

For the year ended June 30, 2022, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types - By Character: Current(further classified by activity) Capital Outlay

Proprietary Fund Types - By Operating and Non-Operating

TOWN OF KENEFIC, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

F. Risk Management

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

G. Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2022, the Town held deposits of approximately \$158,511 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name. The Town of Kenefic is considered a separate entity from the Kenefic Public Utility Authority for FDIC deposit insurance.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

TOWN OF KENEFIC, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 3 - RESTRICTED ASSETS

The loan agreements with the United States Department of Agriculture Rural Development (USDA) requires the Utility Authority to set aside into a Reserve Account an accumulated amount equal to the sum of the annual installments (\$1,932 & \$5,388), after which deposits may be suspended, except to replace withdrawals. The Authority cannot withdraw funds from the reserve account without USDA approval. As of June 30, 2022, the Authority was required to have at least \$7,320.00 set aside in the reserve account; as of that date the account balance for the reserve account was \$7,497.25, which complies with the covenants of the loan agreements.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

TOWN OF KENEFIC, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Governmental activities:

	Balance 7/1/21	Additions	Deductions	Balance 6/30/22
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Other capital assets:				
Street & Roadways	26,250	-	-	26,250
Office Building	24,012	-	-	24,012
Office Furniture & Equipment	4,229	-	-	4,229
Total depreciable capital assets	54,492	-	-	54,492
Less: Accum. Depreciation for:				
Street & Roadways	19,250	875	-	20,125
Office Building	11,190	600	-	11,790
Office Furniture & Equipment	4,229	-	-	4,229
Total Accumulated Depreciation	34,669	1,475	-	36,144
Governmental Activities Capital Assets, Net	\$ 19,823	\$ (1,475)	\$ -	\$ 18,347

Business-type Activities:

	Balance 7/1/21	Additions	Deductions	Balance 6/30/22
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	33,894	308,647	-	342,541
Total capital assets not being depreciated	33,894	308,647	-	342,541
Other capital assets:				
Automotive Equipment	2,400	-	-	2,400
Machinery & Equipment	21,817	72,436	-	94,253
Water System	383,113	18,847	-	401,960
Sewer System	1,028,698	-	-	1,028,698
Total depreciable capital assets	1,436,028	91,283	-	1,527,310
Less: Accum. Depreciation for:				
Automotive Equipment	2,400	-	-	2,400
Machinery & Equipment	21,817	3,622	-	25,439
Water System	167,631	10,049	-	177,680
Sewer System	375,732	25,704	-	401,436
Total Accumulated Depreciation	567,580	39,375	-	606,955
Business-Type Activities Capital Assets, Net	\$ 902,342	\$ 51,908	\$ -	\$ 1,262,896

TOWN OF KENEFIC, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Depreciation expense was charged to functions as follows in the Statement of Activities:

Primary Government:

Governmental Activities:

General Government	\$ 600
Public Safety	-
Highways & Streets	875
Total depreciation expense for governmental activities	<u>\$ 1,475</u>

Business-type Activities:

Water	\$ 10,049
Sewer	25,704
Other	3,622
Total depreciation expense for business-type activities	<u>\$ 39,375</u>

NOTE 5 - LONG-TERM DEBT

Kenefic Public Utility Authority:

As of June 30, 2022, the Kenefic Public Utility Authority had a note outstanding with the USDA Rural Development. The loan was for an original amount of \$42,000.00. Collateral of the loan is the revenues generated by the sewer system. The loan carries a 3.25% interest rate with monthly payments of \$161.

As of June 30, 2022, the Kenefic Public Utility Authority had a second note outstanding with the USDA Rural Development. The loan was for an original amount of \$117,200.00. Collateral of the loan is the revenues generated by the sewer system. The loan carries a 3.25% interest rate with monthly payments of \$449.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

	Balance at June 30, 2021	Additions	Deductions	Balance at June 30, 2022
Note Payable USDA RD :	\$ 19,838.84	\$ -	\$ (4,352.55)	\$ 15,486.29
Note Payable USDA RD :	\$ 74,287.99	\$ -	\$ (3,018.21)	\$ 71,269.78
Total Long-Term Debt	<u>\$ 94,126.83</u>	<u>\$ -</u>	<u>\$ (7,370.76)</u>	<u>\$ 86,756.07</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2022, are as follows:

TOWN OF KENEFIC, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

USDA RD #1

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,450	\$ 482	\$ 1,932
2024	1,498	434	1,932
2025	1,547	385	1,932
2026	1,598	334	1,932
2027	1,651	281	1,932
2028-2032	7,744	561	8,305
Total	<u>\$ 15,489</u>	<u>\$ 2,476</u>	<u>\$ 17,965</u>

USDA RD #2

Year Ending June 30,	Principal	Interest	Total
2023	\$ 3,118	\$ 2,270	\$ 5,388
2024	3,221	2,167	5,388
2025	3,327	2,061	5,388
2026	3,437	1,951	5,388
2027	3,550	1,838	5,388
2028-2032	19,587	7,353	26,940
2033-2037	23,038	3,902	26,940
2038-2040	11,993	472	12,465
Total	<u>\$ 71,270</u>	<u>\$ 22,015</u>	<u>\$ 93,285</u>

NOTE 6 - EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The Town of Kenefic does not provide employee pension or other benefit plans.

NOTE 7 - COMMITMENTS & CONTINGENCIES

Litigation

The Town currently has no pending litigation.

Grant Programs

In the normal course of operations, the Town participates in various federal or state/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 of reimbursement that 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 KENEFIC, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Compensated Absences - Compensated absences have not been determined because the Town prepares its financial statements on the modified cash basis of accounting. According to generally accepted accounting principles the liability for compensated absences should be accrued.

NOTE 8 - GRANT INCOME

The Town of Kenefic was approved for CDBG 19 - 17748 from DOC (Department of Commerce) in the amount of \$135,872.63 for capital improvements. As of June 30, 2022, \$63,250.81 has been received and expended and there is a remaining balance of \$72,621.82.

The Town of Kenefic was approved for REAP Grant 18-033 from SODA (Southern Oklahoma Development Association) in the amount of \$49,999.00 for water system improvements. As of June 30, 2022, \$49,999.00 has been received and expended and there is no remaining balance.

The Town of Kenefic was approved for REAP Grant 20-202 from SODA (Southern Oklahoma Development Association) in the amount of \$136,436.37 for water system improvements. As of June 30, 2022, \$93,312.80 has been received and expended and there is remaining balance of \$43,123.57.

The Town of Kenefic was approved for REAP Grant 21-037 from SODA (Southern Oklahoma Development Association) in the amount of \$52,000.00 for lagoon repair. As of June 30, 2022, \$52,000.00 has been received and expended and there is no remaining balance.

The Town of Kenefic was approved for REAP Grant 22-003 from SODA (Southern Oklahoma Development Association) in the amount of \$52,000.00 to purchase and excavator and trailer. As of June 30, 2022, \$52,000.00 has been received and expended and there is no remaining balance.

The Town of Kenefic was approved for ARPA Coronavirus State and Local Fiscal Record Funds from the U.S. Department of the Treasury in the amount of \$18,950.10. As of June 30, 2022, \$18,950.10 has been received and expended to purchase meters and there is no remaining balance.

NOTE 9 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through December 1, 2022, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2022.

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

To the Town Council
Town of Kenefic, Oklahoma

I 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 modified cash basis financial statements of the governmental activities, the business-type activities and each major fund of the Town of Kenefic, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Kenefic, Oklahoma's basic financial statements, and have issued my report thereon dated December 1, 2022, which was qualified for the lack of segregation of business-type activities.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Kenefic's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kenefic's internal control. Accordingly, I do not express an opinion on the effectiveness of Town of Kenefic'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 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.

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My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control described in the accompanying Schedule of Findings as Item 22-01 and 22-02 that I consider to be significant deficiencies.

Compliance and Other Matters

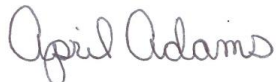
As part of obtaining reasonable assurance about whether the Town of Kenefic's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Town of Kenefic's Response to Findings

Town of Kenefic's response to the findings identified in my audit is described in the accompanying Schedule of Findings. Town of Kenefic's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of my 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.



April Adams CPA PLLC
Ponca City, Oklahoma

December 1, 2022

TOWN OF KENEFIC, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2022

Internal Control Findings:

Item 22-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the Town.

Item 22-02: Meter Deposits

Criteria: It is the responsibility of the Authority to properly report and account for the financial information.

Condition: The Meter Deposit Control Account has not been accurately posted with all transactions during the year.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's balance sheet could be incorrect with respect to the deposit account.

Recommendation: All deposit refunds and final bills should be accurately posted to reconcile the account at yearend. A Meter Deposit Ledger should be maintained so that an accurate liability amount can be reported. The Authority should also maintain a reserved bank account to be used for refunding meter deposits.

Response: The Authority is aware of the situation.