

Town of Fort Towson, Oklahoma

**Financial Statements and Report
of Independent Accountants**

**As of and For the Year Ending
June 30, 2023**

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Russell & Williams CPA's, P.C.

Casey J. Russell, C.P.A., M.B.A.
Autumn L. Williams, C.P.A., Esq.
Member AICPA & OSCPA

**2812 NW 57th, Ste. 102
Oklahoma Town, Oklahoma 73112**

Phone: (405) 607-8743
Fax: (405) 607-8744
Email: caseycpa@hotmail.com

Independent Auditor's Report

To the Board of Trustees
Town of Ft. Towson, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Ft. Towson, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Basis of Accounting

We draw attention to Note 1 of the financial statements that 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 the 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 accounting principles generally accepted in the United States of America, and

for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 October 24, 2024, on our consideration of the Town of Ft. Towson'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 Ft. Towson's internal control over financial reporting and compliance.

Russell + Williams CPAs, P.C.

Oklahoma City, Oklahoma
October 24, 2024

Town of Fort Towson
Statement of Net Position - Modified Cash Basis
June 30, 2023

	Governmental Activities	Business-Type Activities	Totals
CURRENT ASSETS			
Cash in Bank - Unrestricted	336,373.03	119,452.58	455,825.61
Cash in Bank - Restricted	105,669.56	121,137.76	226,807.32
Total Current Assets	442,042.59	240,590.34	682,632.93
PROPERTY AND EQUIPMENT			
Capital Assets, net	99,622.63	1,344,674.56	1,444,297.19
TOTAL ASSETS	<u>\$ 541,665.22</u>	<u>\$ 1,585,264.90</u>	<u>\$ 2,126,930.12</u>
CURRENT LIABILITIES			
Meter Deposits	-	42,920.00	42,920.00
Current Portion of Long Term Debt	-	26,485.00	26,485.00
Total Current Liabilities	-	69,405.00	69,405.00
LONG-TERM LIABILITIES			
Notes Payable	-	802,226.49	802,226.49
TOTAL LIABILITIES	-	871,631.49	871,631.49
NET POSITION			
Net Investment in Capital Assets	99,622.63	515,963.07	615,585.70
Restricted for Debt Service	-	63,480.00	63,480.00
Restricted for Other Purposes	105,669.56	42,920.00	148,589.56
Unrestricted	336,373.03	91,270.34	427,643.37
TOTAL NET POSITION	<u>541,665.22</u>	<u>713,633.41</u>	<u>1,255,298.63</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 541,665.22</u>	<u>\$ 1,585,264.90</u>	<u>\$ 2,126,930.12</u>

Town of Fort Towson
Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2023

Functions/Programs				Net (expense) revenue and Changes in net assets		Total
	Expenses	Program Revenues		Primary Government		
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	
Primary Government						
Governmental Activities						
General Government	248,995.94	11,837.45	43,108.06	(194,050.43)	-	(194,050.43)
Street and Alley	17,259.45	-	-	(17,259.45)	-	(17,259.45)
Fire Department	29,931.74	64,694.81	-	34,763.07	-	34,763.07
Total Governmental Activities	296,187.13	76,532.26	43,108.06	(176,546.81)	-	(176,546.81)
Business-Type Activities						
Water Department	282,458.98	249,759.19	-	-	(32,699.79)	(32,699.79)
Sewer Department	196,285.05	152,856.90	-	-	(43,428.15)	(43,428.15)
Garbage Department	71,143.76	83,597.21	-	-	12,453.45	12,453.45
Total Business-Type Activities	549,887.79	486,213.30	-	-	(63,674.49)	(63,674.49)
Total Primary Government	<u>\$ 846,074.92</u>	<u>\$ 562,745.56</u>	<u>\$ -</u>	<u>\$ (176,546.81)</u>	<u>\$ (63,674.49)</u>	<u>\$ (240,221.30)</u>
	General Revenues					
				195,044.41	-	195,044.41
				18,377.82	-	18,377.82
				12,980.15	-	12,980.15
				930.19	-	930.19
				4,812.21	-	4,812.21
				281.64	-	281.64
				6,448.14	(6,448.14)	-
				238,874.56	(6,448.14)	232,426.42
				62,327.75	(70,122.63)	(7,794.88)
				479,337.47	783,756.04	1,263,093.51
				<u>\$ 541,665.22</u>	<u>\$ 713,633.41</u>	<u>\$ 1,255,298.63</u>

The accompanying footnotes are an integral part of these financial statements

Town of Fort Towson
Governmental Funds
Balance Sheet - Modified Cash Basis
June 30, 2023

	General Fund	Special Revenue Fund	Total
ASSETS			
Cash in Bank - Unrestricted	306,353.15	30,019.88	336,373.03
Cash in Bank - Restricted	105,669.56	-	105,669.56
Total Assets	<u>\$ 412,022.71</u>	<u>\$ 30,019.88</u>	<u>\$ 442,042.59</u>
FUND BALANCES			
Unassigned	306,353.15	-	306,353.15
Restricted	105,669.56	-	105,669.56
Assigned	-	30,019.88	30,019.88
TOTAL FUND BALANCES	<u>412,022.71</u>	<u>30,019.88</u>	<u>442,042.59</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 412,022.71</u>	<u>\$ 30,019.88</u>	<u>\$ 442,042.59</u>

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

Fund Balances Unrestricted	\$ 442,042.59
Fixed assets included in the government wide financial statements but excluded in the individual fund financial statements	99,622.63
Long-term liabilities, including capital leases, are not due and payable	
Net position per the government wide financial statements	<u>\$ 541,665.22</u>

Town of Fort Towson

Governmental Funds

Statement of Revenues, Expenditures and Changes in Net Position - Modified Cash Basis

For the Year Ending June 30, 2023

	General Fund	Special Revenue Fund	Total
Revenues			
Sales Taxes	\$ 195,044.41	\$ -	\$ 195,044.41
Franchise Taxes	18,377.82	-	18,377.82
Alcoholic Beverage Taxes	12,980.15	-	12,980.15
Motor Vehicle and Gasoline Taxes	-	4,812.21	4,812.21
Cigar Tax	930.19	-	930.19
Fire Department	64,694.81	-	64,694.81
Interest Income	281.64	-	281.64
Grant Revenues	43,108.06	-	43,108.06
Other Revenues	11,837.45	-	11,837.45
Total Revenues	<u>347,254.53</u>	<u>4,812.21</u>	<u>352,066.74</u>
Expenditures			
General Government	215,239.19	-	215,239.19
Street and Alley	-	17,259.45	17,259.45
Fire Department	37,347.98	-	37,347.98
Total Expenses	<u>252,587.17</u>	<u>17,259.45</u>	<u>269,846.62</u>
Change in Fund Balances Before Transfers	94,667.36	(12,447.24)	82,220.12
Transfers in/out	<u>(6,137.77)</u>	<u>12,585.91</u>	<u>6,448.14</u>
Change in Fund Balances After Transfers	88,529.59	138.67	88,668.26
Beginning Fund Balances	<u>323,493.12</u>	<u>29,881.21</u>	<u>353,374.33</u>
Ending Fund Balances	<u><u>\$ 412,022.71</u></u>	<u><u>\$ 30,019.88</u></u>	<u><u>\$ 442,042.59</u></u>
<i>Reconciliation of Fund Financial Statements to Governmental Wide Financial Statements</i>			
Change in Net Position, Fund Financial Statements			88,668.26
Expenditures recored as capital assets in the government wide financial statements but treated as an expense in the fund statements			-
Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.			-
Monies expended for debt service that reduce debt on the government-wide financials but recorded as an expense on the fund financial statements.			7,416.24
Depreciation recorded in the governmental wide financial statements not recorded in the fund financial statements			<u>(33,756.75)</u>
Change in Net Position per the Governmental Wide Financial Statements			<u><u>\$ 62,327.75</u></u>

The accompanying notes are an integral part of these financial statements

Town of Fort Towson
Proprietary Fund
Statement of Net Position - Modified Cash Basis
June 30, 2023

CURRENT ASSETS

Cash in Bank - Unrestricted	\$ 119,452.58
Cash in Bank - Restricted	<u>121,137.76</u>
Total Current Assets	240,590.34

PROPERTY AND EQUIPMENT

Capital Assets, net	<u>1,344,674.56</u>
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TOTAL ASSETS	<u>\$ 1,585,264.90</u>
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CURRENT LIABILITIES

Meter Deposits	\$ 42,920.00
Current Portion of Long Term Debt	<u>26,485.00</u>
Total Current Liabilities	<u>69,405.00</u>

LONG-TERM LIABILITIES

Notes Payable	<u>802,226.49</u>
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TOTAL LIABILITIES	<u>871,631.49</u>
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NET POSITION

Invested in Capital Assets, Net of Related Debt	515,963.07
Restricted for Debt Service	63,480.00
Restricted for Other Purposes	42,920.00
Unrestricted	<u>91,270.34</u>
TOTAL NET POSITION	<u>713,633.41</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,585,264.90</u>
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Town of Fort Towson
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position - Modified Cash Basis
For the Year Ending June 30, 2023

Revenues

Water Charges	\$ 249,759.19
Sewer Fees	152,856.90
Garbage Fees	<u>83,597.21</u>
Total Revenues	<u>486,213.30</u>

Operating Expenses

Water Department	282,458.98
Sewer Department	196,285.05
Garbage Expenses	<u>71,143.76</u>
Total Operating Expenses	549,887.79

Change in Net Position (63,674.49)

Transfers in/out (6,448.14)

Change in Net Position (70,122.63)

Beginning Net Position 783,756.04

Ending Net Position \$ 713,633.41

Town of Fort Towson
Proprietary Fund
Statement of Cash Flows - Modified Cash Basis
For the Year Ending June 30, 2023

Cash flows from operating activities	
Receipts from customers	\$ 486,213.30
Payments to suppliers	(216,485.45)
Payments to employees	<u>(172,953.27)</u>
Net cash provided by operating activities	96,774.58
 Cash flows from capital and related financing activities	
Principal paid on long term debt	<u>(25,718.39)</u>
Net cash flows from capital and related financing activities	(25,718.39)
 Cash flows from investing activities	
Purchase of fixed assets	<u>(35,607.00)</u>
Net cash flows from investing activities	<u>(35,607.00)</u>
 Net increase (decrease) in cash	35,449.19
 Cash, Beginning of the Year	<u>205,141.15</u>
Cash, End of the Year	<u><u>\$ 240,590.34</u></u>
 <i>Reconciliation of change in net position to net cash provided by operations</i>	
Change in Net Position	(70,122.63)
Adjustments to reconcile change in net position to net cash provided by operating activities	
Depreciation	166,897.21
Change in assets and liabilities	
Meter Deposits	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 96,774.58</u></u>

Town of Fort Towson, Oklahoma
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

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.

1.A. FINANCIAL REPORTING ENTITY

The Town of Fort Towson, Oklahoma is a statutory Town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, utilities 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, 2023, the Town has two component units, the Fort Towson Public Works Authority and the Fort Towson Industrial Authority.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. 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 nonexchange revenues. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows, liabilities, deferred inflows, net position or fund balance, revenues, and expenditures or expenses. The Town's funds are organized into two major categories: governmental and proprietary. The Town presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described subsequently:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of the specific revenue sources that are either restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds, all of which are reported as nonmajor funds: Street & Alley Fund.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund: Ft. Towson PWA.

1.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 Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as 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:

- 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 determination 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 or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (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 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.

1.D. FINANCIAL POSITION

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

INVESTMENTS

Investments classified in the financial statements consist entirely of certificates of deposit acquired with cash whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

CAPITAL ASSETS

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions or events are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions or events is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture, and equipment	3-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions or events acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

LONG-TERM DEBT

All long-term bonds, notes, and other debt arising from cash transactions or events to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions or events of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

NET POSITION/FUND BALANCE CLASSIFICATIONS

Government-Wide Statements

Net Position is classified 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 external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or 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 Financial Statements

Governmental Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

Nonspendable. Amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact.

Restricted. Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed. Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the Town's highest level of decision-making authority. (In the case of the Town of Example, commitments are evidenced by adoption of an ordinance by the Town Council.)

Assigned. Amounts constrained by the Town's intent to be used for specific purposes but that are neither restricted nor committed. (In the case of the Town of Example, assignments are evidenced either by resolution of the Town Council or by the Town Manager in written form as approved by vote of the Town Council pursuant to Town policy.)

Unassigned. The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

It is the Town's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also Town policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

The Town has no formal minimum fund balance policies or any formal stabilization arrangements in place.

Proprietary Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of proprietary funds is reported as net position and classified in the same manner as the government-wide financial statements, as previously described.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

In the Statement of Activities, modified cash-basis revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity: General Government, Streets, and Public Works.

All other governmental revenues are reported as general revenues. All taxes are classified as general revenue even if restricted for a specific purpose.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

GASB 34 IMPLEMENTATION

The Town has implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of June 30, 2004.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered material to the financial statements.

NOTE 3. 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 Fort Towson is considered a separate entity from the Fort Towson 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 Fort Towson'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 Fort Towson Public Works Authority. The remaining funds would be category 3.

NOTE 4. CAPITAL ASSETS AND DEPRECIATION

Capital Asset activity for the year ended June 30, 2023 was as follows:

Governmental Funds

	Beginning Balance	Increases	Decreases	Ending Balance
Town Hall and Fire Station	\$ 128,500.00	-	-	\$ 128,500.00
Nutrition Center	44,980.00	-	-	44,980.00
Library Addition	14,000.00	-	-	14,000.00
Railroad Depot	132,933.86	-	-	132,933.86
Vehicles and Equipment	252,484.22	-	-	252,484.22
Total	572,898.08			572,898.08
Accumulated Depreciation	(439,518.70)	(33,756.75)	-	(473,275.45)
Net Assets	<u>\$ 133,379.38</u>			<u>\$ 99,622.63</u>

As of June 30, 2023, 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. Depreciation of \$33,756.75 for the governmental funds was recorded.

Proprietary Funds

	Beginning Balance	Increases	Decreases	Ending Balance
Water & Sewer System	\$ 4,553,513.70	35,607.00	-	\$ 4,589,120.70
Vehicles and Equipment	267,652.16	-	-	267,652.16
Total	4,821,165.86			4,856,772.86
Accumulated Depreciation	(3,345,201.09)	(166,897.21)	-	(3,512,098.30)
Net Assets	<u>\$ 1,475,964.77</u>			<u>\$ 1,344,674.56</u>

As of June 30, 2023, the proprietary 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. Depreciation of \$166,897 for the proprietary funds was recorded. The water department was charged with \$103,533 and the sewer department was charged with \$63,364.

NOTE 5. NOTES PAYABLE

Fort Towson Public Works Authority

As of June 30, 2023, the Fort Towson Public Works Authority had three notes outstanding.

The first obligation from Rural Development has an outstanding balance of \$272,622. The original loan was for \$417,900 with an interest rate of 4.50%. Payments are due in monthly installments in the amount of \$1,898. The final payment is due August, 2040. Principal and interest paid on this obligation for the year ending June 30, 2023 was \$10,257 and \$12,518, respectively. Principal required to amortize this note till maturity is as follows:

	Principal	Interest		
2023/2024	10,729	12,046	Balance at Beginning of Year	\$ 282,878
2024/2025	11,221	11,555	Principal Paid During Year	(10,256)
2025/2026	11,737	11,039	Balance at End of Year	<u>\$ 272,622</u>
2026/2027	12,276	11,039		
2027/2028	12,840	9,936		
2028/2033	73,610	40,265		
2033/2038	92,144	21,731		
2038/2041	48,066	20,259		
	<u>\$ 272,622</u>	<u>\$ 137,871</u>		

The second obligation is with the USDA and has an outstanding balance of \$427,035 as of June 30, 2023. The loan is due to mature in September, 2044 with a 4.50% interest rate. Payments are paid monthly in the amount of \$2,611 per month. Principal and interest paid on this obligation for the year ending June 30, 2023 was \$11,824 and \$19,511, respectively. Principal required to amortize this note till maturity is as follows:

	Principal	Interest		
2023/2024	12,364	18,968	Balance at Beginning of Year	\$ 438,859
2024/2025	12,932	18,400	Principal Paid During Year	(11,824)
2025/2026	13,527	17,805	Balance at End of Year	<u>\$ 427,035</u>
2026/2027	14,148	18,400		
2027/2028	14,798	17,805		
2028/2033	85,133	71,527		
2033/2038	106,194	50,466		
2038/2044	132,933	23,727		
2044/2045	35,005	11,683		
	<u>\$ 427,035</u>	<u>\$ 248,780</u>		

The third obligation is with the USDA and has an outstanding balance of \$129,054 as of June 30, 2023. The loan is due to mature in September, 2044 with a 4.50% interest rate. Payments are paid monthly in the amount of \$781 per month. Principal and interest paid on this obligation for the year ending June 30, 2023 was \$3,101 and \$6,271, respectively. Principal required to amortize this note till maturity is as follows:

	Principal	Interest		
2023/2024	3,392	5,980	Balance at Beginning of Year	\$ 132,693
2024/2025	3,548	5,824	Principal Paid During Year	<u>(3,639)</u>
2025/2026	3,711	5,661	Balance at End of Year	<u><u>\$ 129,054</u></u>
2026/2027	3,881	5,491		
2027/2028	4,059	5,313		
2028/2033	23,272	23,588		
2033/2038	29,132	17,728		
2038/2044	36,467	10,393		
2044/2045	21,592	6,506		
	<u>\$ 129,054</u>	<u>\$ 86,485</u>		

The water department was charged with \$23,412 of interest for the year and the sewer department was charged \$14,349.

Town of Fort Towson

As of June 30, 2023, the Town of Fort Towson had one note outstanding.

The obligation from BancFirst has an outstanding balance of \$-0-. The original loan was for \$30,500 with an interest rate of 3.85%. Payments are due in monthly installments in the amount of \$687.47. The final payment is due May, 2023. Principal and interest paid on this obligation for the year ending June 30, 2023 was \$7,416 and \$456, respectively. Principal required to amortize this note till maturity is as follows:

Balance at Beginning of Year	\$ 7,416
Principal Paid During Year	<u>(7,416)</u>
Balance at End of Year	<u><u>\$ -</u></u>

NOTE 6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 24, 2024, which is the date the financial statements were issued.

Russell & Williams CPA's, P.C.

Casey J. Russell, C.P.A., M.B.A.
Autumn L. Williams, C.P.A., Esq.
Member AICPA & OSCP

**2812 NW 57th, Ste. 102
Oklahoma Town, Oklahoma 73112**

Phone: (405) 607-8743
Fax: (405) 607-8744
Email: caseycpa@hotmail.com

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 Ft. Towson

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 accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Ft. Towson, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Ft. Towson's basic financial statements, and have issued our report thereon dated October 24, 2024.

The report was a special report on the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Ft. Towson'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 Town of Ft. Towson's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Ft. Towson'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. 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 responses that we consider to be material weaknesses. 2023-1 and 2023-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Ft. Towson'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2023-3.

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.

Russell + William CPA's, P.C.

Oklahoma City, Oklahoma
October 24, 2024

Schedule of Findings and Responses

2023-1 Utility Billing Collections (Lack of Segregation of Duties) (Repeat Finding)

CONDITION: The utility billings clerk collects the payments from customers and also maintains the customer ledgers. The billings clerk also accepts cash payments. The billings clerk also posts the payments to the utility billing software. The daily collections and reports are reviewed by the Town Treasurer but the Town Clerk is also reconciling the bank statements.

CRITERIA: There should be more separation of duties for record keeping and utility billings collections.

CAUSE OF CONDITION: Limited Staff and inadequate internal controls.

EFFECT OF CONDITION: The Town is vulnerable to having utility billing receipts lost or stolen.

RECOMMENDATION: The Town should implement a policy of not accepting cash payments at Town hall. The Town could also implement more internal controls by having more separation of duties. This could be done by having the personnel write receipts for all payments made regardless of type and then recording these payments on the daily payment ledger. All payments, receipts, and a copy of the daily payment ledger should be given directly to the Treasurer at the end of the day. The Utility Billings clerk should then take the original daily payment ledger to record the payments in the system. Once all payments have been recorded in the system, the billings clerk should print off a payment listing from the system as well as a daily adjustment history to ensure that no unnecessary adjustments have been paid. These reports along with the original daily payment ledger should be given to the Treasurer who should then compare the total payments and receipts written to the daily payment ledger, daily payment listing from system, and daily adjustment history. Once the Treasurer has performed a comparison, they should then prepare a deposit slip to be taken to the bank. The Treasurer should then staple all documents as well as a carbon copy of the deposit slip together and give these documents back to the Utilities Billing Clerk. When the Treasurer returns from the bank, they should give the bank deposit receipt to the Billings Clerk who should then compare the receipt to the previous documents given to her by the Treasurer.

MANAGEMENT RESPONSE: The above referenced procedures are acceptable to the Town of Fort Towson and have been implemented.

2023-2 Not All Activity Is Being Accounted For In The General Ledger

CONDITION: The Town has several checking accounts whose activities are not being properly recorded in the accounting software and/or general ledger format.

CRITERIA: In order for the accounting records to be accurate all transactions and activity should be accounted for in a common and centralized accounting system.

CAUSE OF CONDITION: The Town personnel had inadequate Quickbooks experience resulting in transactions not being properly recorded in Quickbooks and in many instances duplicated in the software. Many transactions were missing important info such as descriptions and payee and some even had the wrong payee listed.

EFFECT OF CONDITION: Incomplete and inaccurate accounting records allows for the possibility of embezzlement to occur and go undetected. It also makes it difficult to maintain financial accounting records.

RECOMMENDATION: To outsource the bookkeeping and payroll to an outside CPA. If outsourcing is not an option then at a minimum require current personnel to take Quickbooks training so they can properly use the accounting software.

MANAGEMENT RESPONSE: The Town is aware of the problem and will consider these options.

2023-3 Budget Deadlines

CONDITION: During our review of the budget procedures, the town failed to prepare the required budgets within the required deadlines mandated by state statute.

CRITERIA: State statute requires budgets be submitted for all funds to the governing body before the start of the budget year.

CAUSE OF CONDITION: The town has not adopted formal budget procedures in regards to the preparation of their annual budget.

EFFECT OF CONDITION: The Town was not in compliance with state statute regarding budgets.

RECOMMENDATION: The Town should review and adopt budget requirements required by state statute.

MANAGEMENT RESPONSE: We understand the need for preparing budget forms before the start of the fiscal year and will strive to prepare budgets according to the required deadlines.