

Town of Jones City
Financial Statements and Report of Independent Accountants
As of and For the Jones Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Jones City, Oklahoma

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 aggregate remaining fund information of the Town of Jones City, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Jones City'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 Jones City, as of June 30, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter—Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

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 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 Jones City'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 Jones City's ability to continue as a going concern for a reasonable period of time.

Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2024, on our consideration of the Town of Jones City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Jones City'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 Jones City's internal control over financial reporting and compliance.

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

Oklahoma City, Oklahoma
May 18, 2024

Town of Jones City
Statement of Net Position - Modified Cash Basis - Government Wide
For the Year Ended June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash in Bank: Unrestricted	2,164,709.21	729,026.94	2,893,736.15
Cash in Bank: Restricted	385,334.42	10,076,461.20	10,461,795.62
Due From Other Funds	4,875.60		4,875.60
Total current assets	2,554,919.23	10,805,488.14	13,360,407.37
Noncurrent assets:			
Capital Assets	3,879,789.52	2,521,928.82	6,401,718.34
Total noncurrent assets	3,879,789.52	2,521,928.82	6,401,718.34
Total assets	\$ 6,434,708.75	\$ 13,327,416.96	\$ 19,762,125.71
Liabilities			
Current liabilities:			
Meter deposits	-	70,678.62	70,678.62
Due to Other Funds		4,875.81	4,875.81
Current Portion of Long-Term Debt	104,937.81	46,382.50	151,320.31
Total current liabilities	104,937.81	121,936.93	226,874.74
Noncurrent Liabilities:			
Notes Payable Net of Current Portion	97,201.68	10,159,670.36	10,256,872.04
Total Liabilities	202,139.49	10,281,607.29	10,483,746.78
Net Assets			
Invested in capital assets, net of related debt	3,782,587.84	(7,684,124.04)	(3,901,536.20)
Unrestricted	2,169,584.81	724,151.13	2,893,735.94
Restricted	280,396.61	10,005,782.58	10,286,179.19
Total net assets	6,232,569.26	3,045,809.67	9,278,378.93
Total liabilities and net assets	\$ 6,434,708.75	\$ 13,327,416.96	\$ 19,762,125.71

The accompanying notes are an integral part of these financial statements.

Town of Jones City
Statement of Activities - Modified Cash Basis - Government Wide
For the Year Ending June 30, 2023

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
General Government	288,132.85	12,245.92	2,731.52	279,364.95	6,209.54	-	6,209.54
Code Enforcement	89,637.30	132,601.90	-	-	42,964.60	-	42,964.60
Police Department	808,850.16	15,504.09	12,350.00	69,149.76	(711,846.31)	-	(711,846.31)
Fire Department	169,659.54	22,798.00	12,632.18	-	(134,229.36)	-	(134,229.36)
Library Department	28,004.63	-	584.40	-	(27,420.23)	-	(27,420.23)
Park Department	58,831.97	3,021.47	-	-	(55,810.50)	-	(55,810.50)
Street Department	112,821.18	604.50	-	-	(112,216.68)	-	(112,216.68)
Emergency Management	18,620.96	-	-	-	(18,620.96)	-	(18,620.96)
Court Department	50,747.95	216,767.38	-	-	166,019.43	-	166,019.43
Total governmental activities	1,625,306.54	403,543.26	28,298.10	348,514.71	(844,950.47)	-	(844,950.47)
Business-type activities:							
Water Department	340,615.87	215,724.04	-	-	-	(124,891.83)	(124,891.83)
Sewer Department	446,376.25	183,259.44	-	-	-	(263,116.81)	(263,116.81)
Trash Department	340,882.48	505,527.21	-	-	-	164,644.73	164,644.73
Gas Department	455,939.98	650,988.15	-	-	-	195,048.17	195,048.17
Storm Water Department	71,574.95	38,610.52	-	-	-	(32,964.43)	(32,964.43)
Other Business-Type Activities	162,416.94	341,518.28	-	-	-	179,101.34	179,101.34
Total Business-Type Activities	1,817,806.47	1,935,627.64	-	-	-	117,821.17	117,821.17
Total Governmental and Business-Type Activities	\$		28,298.10	\$	(844,950.47)	\$	(727,129.30)
Interest & Depreciation:							
	Interest	Depreciation					
General Government	-	17,170.02					
Court	-	1,560.00					
Code Enforcement	-	7,510.57					
Library	3,808.06	28,004.63					
Fire	4,351.01	62,182.45					
Police	7,146.29	82,299.78					
Sewer	108,408.13	34,955.31					
Water	116,435.84	56,318.16					
Streets	-	42,787.03					
Parks	-	15,395.58					
Emergency Services	-	3,480.00					
PWA - Admin	-	8,134.05					
Gas	-	12,927.01					
Total	240,149.33	372,724.59					
					General revenues:		
				Sales & Use Taxes - For General Purposes	1,438,615.02	-	1,438,615.02
				Sales & Use Taxes - Restricted for Capital Purposes	775,515.43	-	775,515.43
				Other Taxes	157,860.87	-	157,860.87
				Other Income	3,979.17	-	3,979.17
				Transfers	(527,431.22)	527,431.22	-
				Total general revenues	1,848,539.27	527,431.22	2,375,970.49
				Change in net assets	1,003,588.80	645,252.39	1,648,841.19
				Net assets - beginning	5,228,980.46	2,400,557.28	7,629,537.74
				Net assets - ending	\$ 6,232,569.26	\$ 3,045,809.67	\$ 9,278,378.93

The accompanying note are an integral part of these financial statements.

Town of Jones City
Balance Sheet - Modified Cash Basis - Governmental Funds
For the Year Ended June 30, 2023

	<u>General Fund</u>
Assets	
Cash in Bank - Unrestricted	2,164,709.21
Cash in Bank - Restricted	385,334.42
Due from Other Funds	4,875.60
Total assets	<u>\$ 2,554,919.23</u>
Liabilities	
Current Portion of Long-Term Debt	104,937.81
Total liabilities	<u>104,937.81</u>
Fund Balances	
Unassigned	2,449,981.42
Net assets	<u>2,449,981.42</u>
Total liabilities and net assets	<u><u>\$ 2,554,919.23</u></u>

***Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities as of June 30, 2023***

Total Governmental Fund Balances	2,449,981.42
Amounts reported for governmental activities in the statement of net position are different because:	
Long-Term Debt is not reported in the fund financial statements	(97,201.68)
Capital assets used in government activities are not financial resources and therefore are not reported in the fund financial statements.	<u>3,879,789.52</u>
Net Assets of Governmental Activities	<u><u>\$ 6,232,569.26</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Jones City
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds - Modified Cash Basis
For the Year Ended June 30, 2023

Revenues	<u>General Fund</u>
Sales & Use Taxes - For General Purposes	1,438,615.02
Sales & Use Taxes - Restricted For Capital Purposes	775,515.43
Franchise Tax	114,493.63
Cigar and Cigarette Taxes	11,062.39
Alcoholic Beverage Taxes	7,740.84
Moto Vehicle & Gas Taxes	24,564.01
Fines and Forfeitures	216,767.38
Licenses, Permits, & Inspections	132,601.90
Donations	18,245.42
Grants	358,567.39
Interest	421.92
Other revenues	57,731.23
Total revenues	<u>3,156,326.56</u>
 Expenditures	
General Government	271,762.83
Code Enforcement	82,126.73
Police Department	725,750.38
Fire Department	107,477.09
Park Department	43,436.39
Street Department	70,034.15
Emergency Management	15,140.96
Court Department	49,187.95
Debt Service	128,593.22
Capital Outlay	202,967.73
Total Expenditures	<u>1,696,477.43</u>
 Transfers In (Out)	(527,431.22)
Net changes in fund balances	932,417.91
Fund balance, beginning of year	5,674,289.13
Fund Balance, end of year	<u><u>\$ 6,606,707.04</u></u>
 Change in fund balance of governmental funds	932,417.91
 <i>Reconciliation of Governmental Funds and Government-Wide Financial Statements</i>	
Net Change in Fund Balances - Total Governmental Funds	932,417.91
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Capital outlays are recorded as additions to capital assets on the government-wide statements	202,967.73
Principal payments on debt are recorded as reductions to liabilities on the government-wide statements.	128,593.22
Depreciation expense is recorded in the government-wide financial statements but not in the fund financial statements	<u>(260,390.06)</u>
Net Change in Fund Balances - Government-Wide Basis	<u><u>\$ 1,003,588.80</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Jones City
Statement of Net Position - Modified
Cash Basis - Proprietary Fund
For the Year Ended June 30, 2023

Assets	<u>Public Works Authority</u>
Current Assets:	
Cash in Bank - Unrestricted	729,026.94
Cash in Bank - Restricted	<u>10,076,461.20</u>
Total Current Assets	10,805,488.14
Noncurrent assets:	
Net Capital Assets	<u>2,521,928.82</u>
Total Assets	<u><u>\$ 13,327,416.96</u></u>
Liabilities	
Current Liabilities:	
Notes Payable - Current Portion	46,382.50
Due to Other Funds	4,875.81
Meter Deposits	<u>70,678.62</u>
Total Current Liabilities	121,936.93
Non-Current Liabilities:	
Notes Payable - Non-Current Portion	<u>10,159,670.36</u>
Total Liabilities	10,281,607.29
Net Position	
Invested in Capital Assets, Net of Related Debt	(7,684,124.04)
Restricted	10,005,782.58
Unrestricted	<u>724,151.13</u>
Total Net Position	<u>3,045,809.67</u>
Total Liabilities & Net Position	<u><u>\$ 13,327,416.96</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Jones City
Statement of Revenues, Expenses, and Changes in Fund Net
Position - Modified Cash Basis - Proprietary Fund
For the Year Ended June 30, 2023

Operating Revenues	<u>Public Works Authority</u>
Charges for Services:	
Water Department	215,724.04
Sewer Department	183,259.44
Trash Department	505,527.21
Gas Department	650,988.15
Storm Water Department	38,610.52
Other Business-Type Activities	341,518.28
Total Operating Revenues	<u>1,935,627.64</u>
 Operating Expenses	
Water Department	224,180.03
Sewer Department	337,968.12
Trash Department	340,882.48
Gas Department	455,939.98
Storm Water Department	71,574.95
Other Business-Type Activities	158,608.88
Total Operating Expenses	<u>1,589,154.44</u>
 Nonoperating Revenues (Expenses)	
Transfers from (to) Other Funds	527,431.22
Interest Expense	(228,652.03)
Total Nonoperating Revenues (Expenses)	<u>298,779.19</u>
 Change in Net Position	<u>645,252.39</u>
Net Position - Beginning	<u>2,400,557.28</u>
Net Position - Ending	<u><u>\$ 3,045,809.67</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Jones City
Statement of Cash Flows - Modified Cash Basis - Proprietary Fund
For the Year Ended June 30, 2023

	<u>Public Works Authority</u>
Cash Flows From Operating Activities	
Receipts from Customers	1,935,627.64
Payments to Suppliers	(1,128,147.48)
Payments to Employees	(348,672.43)
Receipt (Refund) of Meter Deposits	2,703.62
Net Cash Provided (Used) by Operating Activities	<u>461,511.35</u>
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Capital Debt	(53,108.57)
Cash Paid for Capital Expenditures	(802,453.25)
Interest Paid	(228,652.03)
Change in Due to/from Other Funds	4,875.81
Reclassification of Restricted funds	(276,741.36)
Transfers from (to) Other Funds	527,431.22
Total Cash Flows from Capital and Related Financing Activities	<u>(828,648.18)</u>
Net Increase (Decrease) in Cash	(367,136.83)
Beginning Balance	11,172,624.97
Ending Balance	<u><u>\$ 10,805,488.14</u></u>
 <i>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</i>	
Operating Income (Loss)	645,252.39
Depreciation Expense	112,334.53
Interest Expense	228,652.03
Transfers Out (In)	(527,431.22)
Receipt (Refund) of Meter Deposits	2,703.62
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 461,511.35</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Jones City
Notes to Financial Statements
For the Year Ended June 30, 2023

1. Summary of Significant Accounting Policies

1A. Introduction

The Town's financial statements are prepared using the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). 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. Generally, that means that only items arising from cash transactions are recorded. Accounts receivable and accounts payable, for instance, are not recorded.

1B. Financial Reporting Entity

The Town of Jones City, Oklahoma, was incorporated January 4, 1909, under the laws of the State of Oklahoma. The Town of Jones City (Town) operates under the Statutory Town Board of Trustees form of government and provides the following major services: public safety, streets, public improvements, planning and zoning, and general administration. Sewer, trash, water, and gas utilities are provided by the Town's public works authority.

1B1. Blended Component Units

The Jones City Public Works Authority (JCPWA) was established to finance, establish, and operate utility services for the citizens of the Town. JCPWA is a legally separate entity from the Town and is governed by the same board of trustees that governs the Town. For financial reporting purposes, the JCPWA is reported as if it were part of the Town's operations. The JCPWA does not present separate financial statements.

1C. Basis of Presentation

1C1. Fund Accounting

The Town uses fund accounting to maintain its financial records. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures/expenses. The Town's funds are organized into two categories: governmental and proprietary. Within these categories, funds are further defined as major or non-major. The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories as defined by GASB 34. The Town has one governmental fund and one business-type fund.

1C2. Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless

of the measurement focus applied. Measurement focus is a term used to describe which transactions are recorded.

1C2a. Modified Cash Basis of Accounting

The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP and is a modification of the pure cash basis of accounting. Professional standards define the cash basis of accounting *as a basis of accounting an entity uses to record cash receipts and disbursements, and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets.)* Although the modified cash basis of accounting is not separately defined by professional standards, the modifications to the cash basis have evolved over time through common practice, and generally result when cash receipts or disbursements provide a benefit or obligation covering multiple reporting periods, and the reporting of the cash transaction would be more meaningful to financial statement users if spread over those multiple periods.

For modifications to be considered to have substantial support, they should:

1. be made as a result of cash receipts or disbursements;
2. have substantial support in GAAP or other accounting literature; and
3. be logical.

1C3. Government-wide Financial Statements

The government-wide financial statements are highly aggregated financial statements that present financial information for all assets, deferred outflows, liabilities, deferred inflows, and net assets using the economic resources measurement focus within the limitations of the modified cash basis of accounting. This means that revenues are recorded when received and expenses, with the exception of capitalizing and depreciating capital assets, are recorded when paid. The government-wide financial statements required are the statement of net assets and the statement of activities. These financial statements are designed to help users assess the finances of a government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current year services. They are also designed to help users assess the cost of providing services to its citizenry; determine how the government finances its programs; understand the extent to which the government has invested in capital assets; and make better comparisons between governments.

1C4. Governmental Fund Financial Statements

The general fund of the Town is a governmental fund. Governmental fund financial statements focus primarily on the sources, uses, and balances of current financial resources. They are presented using the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized when they are received, and expenditures are recorded when paid. The financial statements required for governmental funds are the balance sheet and the statement of revenues, expenditures, and changes in fund balance. The governmental fund balance sheet does not present capital assets or long-term liabilities. Instead, the statement of revenues, expenditures and changes in fund balance reports the financial resource inflows and outflows arising from the disposition and acquisition of capital assets, the issuance and repayment of long-term debt, and maturation of non-debt long-term liabilities. Capital assets and long-term liabilities associated with and generally arising from activities reported in governmental funds are reported only in the government-wide financial statements.

1C5. Proprietary Fund Financial Statements

The utility fund of the Town is a proprietary fund. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting, the objectives of which involves the determination of operating income, changes in net position, net position, and cash flows. The accounting principles applicable are those similar to businesses in the private sector. The Town maintains one proprietary fund, which is an enterprise fund. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

1D. Cash and Cash Equivalents

Cash and cash equivalents for purposes of the statement of cash flows are defined as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1E. Deposits and Investments

The governing body has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed. However, it is the policy of the governing body to require deposits in excess of FDIC limits to be collateralized as required by Oklahoma Statutes.

Investments are accounted for in accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments*, which states that investments held at year end with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

1F. Interfund Activity

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

1G. Capital Assets

Capital assets purchased or acquired with an original cost of \$3,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15 to 40 years
Vehicles and equipment	5 to 25 years
Infrastructure	25 to 40 years

GASB-34 required the Town to report and depreciate new infrastructure assets effective with the 2004 year. Infrastructure assets include roads, sidewalks, bridges, traffic signals, etc. These infrastructure assets are likely

to be the largest asset class of the Town. Neither their historical cost nor related depreciation has been reported in the financial statements. Retroactive reporting is not required.

Since management did not maintain sufficient financial records to adequately support the valuation of capital assets prior to July 1, 2008, the cost of significant capital assets purchased or constructed prior to July 1, 2008, is estimated based on the recollection of past board members and current employees.

1H. Equity Classifications

In the government-wide statements, equity is classified as net position and reported in three components as follows:

1. Net investment in capital assets – Capital assets, net of accumulated depreciation, are reduced by the outstanding balances of any debt attributable to their acquisition, construction, or improvement.
2. Restricted – Net assets that have had constraints placed upon them either by external sources such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted – All other net assets that do not meet the definition of the previous two classifications.

In the fund financial statements, governmental fund equity is classified as fund balance and reported as needed in five components as follows:

1. Nonspendable – amounts not in a spendable form, or legally or contractually required to be maintained intact.
2. Restricted – constraints placed on fund balance are externally imposed by creditors, grantors, or other governments; or are imposed by law through constitutional provisions or enabling legislation.
3. Committed – amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the individual government's highest level of decision-making authority.
4. Assigned – constraints placed on fund balance are imposed by the government's intent that it be used for specific purposes but are neither restricted nor committed. An individual government must define and disclose how it expresses its intent for purposes of making assignments. For the Town, this intent is expressed by a vote of the board of trustees encumbering amounts for assigned purposes.
5. Unassigned – remaining fund balance in excess of all other classifications.

1I. Revenues and Expenditures

Program revenues in the government-wide statements include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing the goods or services that are the funds principal ongoing operations. Revenues and expenses not meeting this definition are nonoperating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB-33. In applying GASB-33

to grant revenues, the provider recognizes liabilities and expenses, and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

1J. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as needed. When both assigned and unassigned resources are available for use, it is the government's policy to use assigned resources first, and then unassigned resources as needed.

2. Deposits and Investments

Custodial credit risk relates to deposits that are uninsured and uncollateralized; collateralized with securities held by a pledging financial institution or by its trust department or agent but not in the Town's name; or collateralized without a written or approved collateral agreement. The Town's policy is to comply with state law and secure its uninsured deposits with collateral. The State of Oklahoma allows municipalities to invest in the following: direct obligations of the U.S. Government, its agencies, or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; and county, municipal or school district direct debt.

At year end, the Town had deposits of \$2,191,662 that were collateralized with securities held by a pledging financial institution or by its trust department or agent but not in the Town's name. The Town had deposits of \$9,852,734 in trust accounts that were uninsured and uncollateralized but were invested in treasury funds that met the requirements of allowable investments.

3. Restricted Cash and Investments

Restricted taxes, as discussed in note 6 are maintained in separate accounts of the general fund of the Town. Customer meter deposits and debt related accounts are maintained in separate accounts of the JCPWA.

4. Capital Assets

Capital asset activity for the year just ended is summarized as follows:

Governmental Activities

	Balance, June 30, 2022	Additions	Subtractions	Balance, June 30, 2023
Construction in Progress	488,914.24	-	-	488,914.24
Land	186,689.30	-	-	186,689.30
Total non-depreciable	675,603.54	-	-	675,603.54
Buildings & Building Equipment	1,539,956.94	94,768.49	-	1,634,725.43
Equipment	2,003,768.18	108,199.24	-	2,111,967.42
Roads, Bridges, Sidewalks	1,593,269.89	-	-	1,593,269.89
Total Depreciable	5,136,995.01	-	-	5,136,995.01
Total Governmental	5,812,598.55	202,967.73	-	6,015,566.28
Accumulated Depreciation	(1,875,386.70)	(260,390.06)	-	(2,135,776.76)
Net Property & Equipment	<u>\$ 3,937,211.85</u>			<u>\$ 3,879,789.52</u>

Business-Type Activities

	Balance, June 30, 2022	Additions	Subtractions	Balance, June 30, 2023
Construction in Progress	169,650.32	-	-	169,650.32
Total Non-Depreciable	169,650.32			169,650.32
Buildings & Building Equipment	80,167.00	-	-	80,167.00
Equipment	388,016.45	-	-	388,016.45
Utility Systems	4,172,216.60	802,453.25	-	4,974,669.85
Total Depreciable	4,640,400.05	802,453.25	-	5,442,853.30
Total Business-Type	4,810,050.37			5,612,503.62
Accumulated Depreciation	(2,978,240.27)	(112,334.53)		(3,090,574.80)
Net Property & Equipment	<u>\$ 1,831,810.10</u>			<u>\$ 2,521,928.82</u>

Depreciation (including amortization of equipment under capital leases) by department is as follows:

Governmental Activities:

General Government	17,170.02
Code Enforcement	7,510.57
Police Department	82,299.78
Fire Department	62,182.45
Library	28,004.63
Parks	15,395.58
Street & Alley	42,787.03
Emergency Services	3,480.00
Court	1,560.00
	<u>\$ 260,390.06</u>

Business-Type Activities:

Administrative	8,134.05
Sewer	34,955.31
Water	56,318.16
Gas	12,927.01
	<u>\$ 112,334.53</u>

6. Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Governmental Activities:					
Notes from Direct Borrowings:	\$ 276,905.15	\$ 60,694.72	\$ 135,460.38	\$ 202,139.49	\$ 104,937.81
Business-Type Activities:					
Notes from Direct Borrowings:	\$ 10,259,161.43	\$ -	\$ 53,108.57	\$ 10,206,052.86	\$ 46,382.50

The Town's outstanding lease-purchases from direct borrowings related to governmental activities contain a provision that in the event funds are not appropriated for a subsequent fiscal year the lease will be terminated and the equipment will be returned.

The Town's outstanding note on the library building related to business-type activities contains a provision that in the event of default, the 1% sales tax will be paid directly to the lender and the note becomes immediately due and payable.

The Town's outstanding note for infrastructure related to business-type activities is secured by system revenues and 1% sales and use tax. Additionally, the JCPWA must maintain net revenues of at least 125% of the outstanding maximum annual debt service of the JCPWA.

Outstanding debt as of June 30, 2023, consisted of the following:

Direct Borrowings - Lease Purchases

Governmental	Interest Rate	Maturity Date	Issued	Outstanding	Security
Tanker	3.720%	3/14/2024	306,848.00	28,363.54	Tanker Truck
IT Equipment	7.109%	7/31/2022	54,297.00	-	IT Equipment Truck
Police Radios	4.393%	10/10/2025	69,522.00	34,292.09	Police Radios
Police Vehicles	4.469%	1/24/2024	159,061.00	20,436.33	Police Vehicles
Police Vehicles	4.870%	12/30/2026	59,136.00	42,878.00	Police Vehicles
Police Vehicles	5.070%	9/1/2025	60,694.72	44,741.40	Police Vehicles
Fire Truck	3.179%	9/1/2026	46,844.00	31,428.13	Fire Truck
			<u>\$ 756,402.72</u>	<u>\$ 202,139.49</u>	

Direct Borrowings - Notes and Lease Purchases

Proprietary	Interest Rate	Maturity Date	Issued	Outstanding	Security
Library Building	2.875% *	3/10/2028	484,624	127,452	Sales Tax
Infrastructure	1.2% to 3.2%	9/15/1951	9,865,000	9,865,000	and 1% sales and
Truck	6.23%	7/6/2026	22,117	14,439	Truck
			<u>\$ 10,371,741.00</u>	<u>\$ 10,006,891.36</u>	

* 2.25% until June 1, 2017, and then at a fixed rate equal to the then 5-year CMT (Constant Maturity Treasury) rate plus 250 basis points with said rate to be reset on June 1, 2022 and June 1, 2027

Debt service requirements on long-term debt as of June 30, 2023, were as follows:

		Direct Borrowings			
		Governmental Activities		Business-Type Activities	
Year Ending	June 30:	Principal	Interest	Principal	Interest
	2024	103,891.39	6,652.63	291,383.60	233,209.75
	2025	57,701.70	3,273.42	296,664.84	228,751.01
	2026	31,411.09	1,025.24	301,964.13	224,214.22
	2027	9,135.31	109.67	256,878.79	220,289.13
	2028	-	-	260,000.00	217,172.54
	2029-2033	-	-	1,365,000.00	1,002,725.20
	2034-2038	-	-	1,600,000.00	775,937.70
	2039-2043	-	-	1,810,000.00	562,120.20
	2044-2048	-	-	2,025,000.00	342,918.83
	2049-2052	-	-	1,800,000.00	89,425.00
		<u>\$ 202,139.49</u>	<u>\$ 11,060.96</u>	<u>\$ 10,006,891.36</u>	<u>\$ 3,896,763.58</u>

6. Restricted Taxes

1 cent of the 4-cent sales tax of the town is restricted as follows: 60% for the payment of long-term debt; 20% for capital improvements of the Town and the JCPWA; and 20% for capital outlay for the Town and JCPWA. A 1% sales tax and a 1% use tax effective October 1, 2021, is restricted for payment of the infrastructure note issued September 9, 2021.

9. Budgets

The board of trustees adopts legally required annual operating budgets each year for each fund. The same generally accepted accounting principles basis of accounting used for fund financial reporting purposes is used for budgetary purposes. At the fund level, actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments of the same fund are approved by the board when required. Supplemental appropriations, if needed, are approved by the board, and submitted to the state auditor's

office as required by state statutes. All appropriations lapse at the end of the fiscal year. Encumbrance accounting is not used. One budget amendment was approved during the year.

10. Risk Management

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

11. Subsequent Events

Management performed an evaluation of the Town's activity through May 20, 2024, the date the audit report was ready to be released and concluded there were no significant subsequent events requiring disclosure through that date.

Town of Jones City
Budgetary Comparison Schedule - Modified Cash Basis - General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Difference - Favorable (Unfavorable)
REVENUES				
Sales Tax - Unrestricted	841,000.00	978,500.00	998,068.17	19,568.17
Sales Tax - Restricted	560,000.00	652,000.00	665,378.73	13,378.73
Use Tax - Unrestricted	402,000.00	437,500.00	440,546.85	3,046.85
Use Tax - Restricted	100,500.00	109,000.00	110,136.70	1,136.70
Tobacco Tax	9,500.00	11,000.00	11,062.39	62.39
Franchise Tax	93,500.00	113,500.00	114,493.63	993.63
Alcoholic Beverage Tax	7,500.00	7,500.00	7,740.84	240.84
Motor Vehicle Tax	23,500.00	21,000.00	21,465.53	465.53
Gas Excise Tax	3,500.00	3,000.00	3,098.48	98.48
Court Fines & Fees	165,500.00	221,500.00	216,767.38	(4,732.62)
Licenses & Permits	135,000.00	131,500.00	130,497.40	(1,002.60)
Other Revenues	9,600.00	55,000.00	59,835.73	4,835.73
Donations & Grants	281,500.00	289,000.00	376,812.81	87,812.81
Interest	-	300.00	421.92	121.92
TOTAL REVENUES	\$ 2,632,600.00	\$ 3,030,300.00	\$ 3,156,326.56	\$ 126,026.56
EXPENDITURES				
General Government	342,000.00	292,500.00	288,132.85	4,367.15
Code Enforcement	85,500.00	105,000.00	89,637.30	15,362.70
Police Department	831,000.00	931,000.00	808,850.16	122,149.84
Fire Department	270,500.00	237,000.00	169,659.54	67,340.46
Library Department	-	-	28,004.63	(28,004.63)
Park Department	40,000.00	50,000.00	58,831.97	(8,831.97)
Street Department	49,000.00	76,000.00	112,821.18	(36,821.18)
Emergency Management	11,000.00	14,000.00	18,620.96	(4,620.96)
Court Department	40,000.00	54,500.00	50,747.95	3,752.05
	\$ 1,669,000.00	\$ 1,760,000.00	\$ 1,625,306.54	\$ 134,693.46
Revenues Over (Under)	\$ 963,600.00	\$ 1,270,300.00	\$ 1,531,020.02	260,720.02
Expenditures				
Transfers in (Out)	(330,000.00)	(330,000.00)	(527,431.22)	(197,431.22)
Change in Fund Balance	633,600.00	940,300.00	1,003,588.80	63,288.80
Beginning Fund Balance	5,228,980.46	5,228,980.46	5,228,980.46	5,228,980.46
Ending Fund Balance	<u><u>\$ 5,862,580.46</u></u>	<u><u>\$ 6,169,280.46</u></u>	<u><u>\$ 6,232,569.26</u></u>	<u><u>\$ 5,292,269.26</u></u>

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

To the Board of Trustees,
Town of Jones City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jones City, Oklahoma as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Jones City, Oklahoma's basic financial statements and have issued our report thereon dated May 18, 2024

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Jones City, Oklahoma'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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Jones City, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Jones City, Oklahoma's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

Oklahoma City, Oklahoma
May 18, 2024