

City of Konawa, Oklahoma

**Financial Statements and Report
of Independent Accountants**

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

Table of Contents

Report of Independent Accountant	1-2
<u>Government Wide Financial Statements</u>	
Statement of Position – Modified Cash Basis	3
Statement of Activities – Modified Cash Basis	4
<u>Fund Financial Statements</u>	
Balance Sheet-Governmental Funds – Modified Cash Basis	5
Statement of Revenues, Expenditures and Changes in in Fund Balances-Governmental Funds – Modified Cash Basis	6
Statement of Net Position-Proprietary Funds – Modified Cash Basis	7
Statement of Revenue, Expenses, and Changes in Net Position-Proprietary Funds – Modified Cash Basis	8
Statement of Cash Flows-Proprietary Funds – Modified Cash Basis	9
Notes to the Basic Financial Statements	10-18
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	19-20
Schedule of Findings and Questioned Costs.....	21

Russell & Williams, CPAs, P.C.

Casey J. Russell, C.P.A., M.B.A.
Autumn L. Williams, C.P.A., Esq.
Eric J. Russell, C.P.A., Esq.

2812 NW 57th St. Suite 102
Oklahoma City, OK 73112

405-607-8743

accountants@russellandwilliams.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
City of Konawa, 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 City of Konawa, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Konawa'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 City of Konawa, 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 City of Konawa, Oklahoma, 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 by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 City of Konawa'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 City of Konawa'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2025, on our consideration of the City of Konawa'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 City of Konawa's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Konawa's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
February 17, 2025

City of Konawa
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	1,288,963.28	109,986.26	1,398,949.54
Cash in Bank: Restricted	35,529.33	113,609.85	149,139.18
Due fom Other Funds	114,756.93	-	114,756.93
Total current assets	1,439,249.54	223,596.11	1,662,845.65
Noncurrent assets:			
Capital Assets	157,699.04	6,218,982.75	6,376,681.79
Total noncurrent assets	157,699.04	6,218,982.75	6,376,681.79
Total assets	<u>\$ 1,596,948.58</u>	<u>\$ 6,442,578.86</u>	<u>\$ 8,039,527.44</u>
Liabilities			
Current liabilities:			
Meter deposits	-	71,455.38	71,455.38
Due to Other Funds	-	114,756.93	114,756.93
Current Portion of Long-Term Debt	-	40,670.83	40,670.83
Total current liabilities	-	226,883.14	226,883.14
Noncurrent Liabilities:			
Notes Payable Net of Current Portion	-	1,560,502.72	1,560,502.72
Total Liabilities	-	1,787,385.86	1,787,385.86
Net Assets			
Invested in capital assets, net of related debt	157,699.04	4,617,809.20	4,775,508.24
Unrestricted	1,403,720.21	(4,770.67)	1,398,949.54
Restricted	35,529.33	42,154.47	77,683.80
Total net assets	1,596,948.58	4,655,193.00	6,252,141.58
Total liabilities and net assets	<u>\$ 1,596,948.58</u>	<u>\$ 6,442,578.86</u>	<u>\$ 8,039,527.44</u>

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

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Primary Government		Total
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business - Type Activities	
Primary government						
Governmental activities						
General government	371,275.43	71,439.39	267,769.28	(32,066.76)	-	(32,066.76)
Cemetery	3,530.33	454.03	2,323.97	(752.33)	-	(752.33)
Court	52,461.01	12,944.12	-	(39,516.89)	-	(39,516.89)
Emergency Services	120,000.00	114,756.93	-	(5,243.07)	-	(5,243.07)
Police Department	276,564.61	1,000.00	-	(275,564.61)	-	(275,564.61)
Parks & Recreation	60,874.22	-	-	(60,874.22)	-	(60,874.22)
Library	20,733.70	-	-	(20,733.70)	-	(20,733.70)
Fire Department	33,705.04	5,247.30	-	(28,457.74)	-	(28,457.74)
Street & Alley	3,044.70	-	-	(3,044.70)	-	(3,044.70)
Total governmental activities	942,189.04	205,841.77	270,093.25	(466,254.02)	-	(466,254.02)
Business-type activities						
Water Department	337,377.54	280,222.57	-	-	(57,154.97)	(57,154.97)
Sewer Department	165,495.47	217,085.94	-	-	51,590.47	51,590.47
Sanitation department	159,305.68	180,085.28	-	-	20,779.60	20,779.60
Other Business-Type Activities	305,609.34	22,745.65	-	-	(282,863.69)	(282,863.69)
Total business-type activities	967,788.03	700,139.44	-	-	(267,648.59)	(267,648.59)
Total primary government	\$ 1,909,977.07	\$ 905,981.21	\$ 270,093.25	\$ (466,254.02)	\$ (267,648.59)	\$ (733,902.61)
General revenues:						
				549,263.79	-	549,263.79
				94,976.47	-	94,976.47
				256.82	-	256.82
				(175,280.50)	175,280.50	-
				469,216.58	175,280.50	644,497.08
				2,962.56	(92,368.09)	(89,405.53)
				1,593,986.02	4,747,561.09	6,341,547.11
				\$ 1,596,948.58	\$ 4,655,193.00	\$ 6,252,141.58

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

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

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Other Govt. Funds</u>	<u>Total</u>
Assets				
Cash in Bank - Restricted	2,716.89	-	32,812.44	35,529.33
Cash in Bank - Unrestricted	1,081,151.10	90,530.06	117,282.12	1,288,963.28
Due from Other Funds	<u>114,756.93</u>	<u>-</u>	<u>-</u>	<u>114,756.93</u>
Total Current Assets	\$ 1,198,624.92	\$ 90,530.06	\$ 150,094.56	\$ 1,439,249.54
Fund Balances				
Restricted	2,716.89	-	32,812.44	35,529.33
Unrestricted	<u>1,195,908.03</u>	<u>90,530.06</u>	<u>117,282.12</u>	<u>1,403,720.21</u>
Total Fund Balances	<u><u>\$ 1,198,624.92</u></u>	<u><u>\$ 90,530.06</u></u>	<u><u>\$ 150,094.56</u></u>	<u><u>\$ 1,439,249.54</u></u>
<i>Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities as of June 30, 2023</i>				
Total Governmental Fund Balances	1,198,624.92	90,530.06	150,094.56	1,439,249.54
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in government activities are not financial resources and therefore are not reported in the fund financial statements.	<u>157,699.04</u>	<u>-</u>	<u>-</u>	<u>157,699.04</u>
Net Assets of Governmental Activities	<u><u>\$ 1,356,323.96</u></u>	<u><u>\$ 90,530.06</u></u>	<u><u>\$ 150,094.56</u></u>	<u><u>\$ 1,596,948.58</u></u>

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

City of Konawa
Statement of Revenues, Expenditures, and Changes in Net Assets - Modified Cash Basis - Governmental Funds
For the Year Ending June 30, 2021

	General Fund	Grant Fund	Other Govt. Funds	TOTAL
Revenues				
Sales & Use Tax	549,263.79	-	-	549,263.79
Cigarette Tax	3,021.92	-	-	3,021.92
Donations & Grants	105,023.57	162,745.71	2,323.97	270,093.25
Fire & Emergency Services	120,004.23	-	-	120,004.23
Gas and motor vehicle taxes	9,481.04	-	-	9,481.04
Alcoholic beverage taxes	18,707.57	-	-	18,707.57
Police Citations, Fees, & Reports	1,000.00	-	12,944.12	13,944.12
Franchise Tax	63,765.94	-	-	63,765.94
Interest	-	-	256.82	256.82
Other revenues	71,439.39	-	454.03	71,893.42
Total revenues	941,707.45	162,745.71	15,978.94	1,120,432.10
Expenditures				
Payroll Expenses	321,116.05	-	-	321,116.05
Maintenance and Operations	521,097.20	307.48	9,233.31	530,637.99
Total expenditures	842,213.25	307.48	9,233.31	851,754.04
Transfers In (Out)	230.00	(186,480.50)	10,970.00	(175,280.50)
Net Change in Fund Balance	99,724.20	(24,042.27)	17,715.63	93,397.56
Beginning Fund Balance	842,200.72	114,572.33	132,378.93	1,089,151.98
Fund balance at end of year	\$ 941,924.92	\$ 90,530.06	\$ 150,094.56	\$ 1,182,549.54
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the Year Ending 06/30/23				
Net change in Fund Balance - governmental funds	99,724.20	(24,042.27)	17,715.63	93,397.56
Depreciation expense is recorded in the government-wide financial statements but not recorded in the fund financial statements.	(90,435.00)	-	-	(90,435.00)
Change in Government Wide Net Assets	\$ 9,289.20	\$ (24,042.27)	\$ 17,715.63	\$ 2,962.56

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

City of Konawa
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	109,986.26
Cash in Bank - Restricted	<u>113,609.85</u>
Total Current Assets	223,596.11
Noncurrent assets:	
Net Capital Assets	<u>6,218,982.75</u>
Total Assets	<u><u>\$ 6,442,578.86</u></u>
Liabilities	
Current Liabilities:	
Notes Payable - Current Portion	40,670.83
Meter Deposits	71,455.38
Due to General Fund	<u>114,756.93</u>
Total Current Liabilities	226,883.14
Non-Current Liabilities:	
Notes Payable - Non-Current Portion	<u>1,560,502.72</u>
Total Liabilities	1,787,385.86
Net Position	
Invested in Capital Assets, Net of Related Debt	4,617,809.20
Restricted	42,154.47
Unrestricted	<u>(4,770.67)</u>
Total Net Position	<u>4,655,193.00</u>
Total Liabilities & Net Position	<u><u>\$ 6,442,578.86</u></u>

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

City of Konawa
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:	
Sewer	217,085.94
Water	280,222.57
Sanitation	180,085.28
Other Revenues	<u>22,745.65</u>
Total Operating Revenues	700,139.44
 Operating Expenses	
Maintenance & Operations	442,945.49
Personal Services	219,233.20
Depreciation	<u>273,116.06</u>
Total Operating Expenses	<u>935,294.75</u>
Operating Income (Loss)	(235,155.31)
 Nonoperating Revenues (Expenses)	
Transfers from (to) Other Funds	175,280.50
Interest Expense	<u>(32,493.28)</u>
Total Nonoperating Revenues (Expenses)	142,787.22
 Change in Net Position	<u>(92,368.09)</u>
Net Position - Beginning	<u>4,747,561.09</u>
Net Position - Ending	<u><u>\$ 4,655,193.00</u></u>

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

City of Konawa
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	700,139.44
Payments to Suppliers	(442,945.49)
Payments to Employees	(219,233.20)
Receipt (Refund) of Meter Deposits	20,640.36
Cash Transfers from Other Funds	4,800.00
v	<u>114,756.93</u>
Net Cash Provided (Used) by Operating Activities	178,158.04
 Cash Flows from Capital and Related Financing Activities	
Principal Paid on Capital Debt	(39,866.72)
Cash Paid for Capital Expenditures	(47,596.85)
Interest	<u>(32,493.28)</u>
Total Cash Flows from Capital and Related Financing Activities	(119,956.85)
 Net Increase (Decrease) in Cash	58,201.19
Beginning Balance	<u>165,394.92</u>
Ending Balance	<u><u>\$ 223,596.11</u></u>
 <i>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</i>	
Operating Income (Loss)	(267,648.59)
Depreciation Expense	273,116.06
Interest Expense	32,493.28
Transfers In (Out)	4,800.00
Receipt (Refund) of Meter Deposits	20,640.36
Receipt of Cash Due to Other Funds	<u>114,756.93</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 178,158.04</u></u>

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

City of Konawa, 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 City of Konawa, 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 one component unit, the Konawa Public Works 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:

Major Funds:

- General Fund
- Grant Fund

Non-Major Funds

- Cemetery Perpetual Care Fund
- Cemetery Fund
- Court Fund
- One-Cent Sales Tax 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: Konawa 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 City 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 City 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 City of Konawa is considered a separate entity from the Konawa 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 City of Konawa'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 Konawa 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

Governmental

	June 30, 2022	Additions	Subtractions	June 30, 2023
Land Improvements	76,401.00	-	-	76,401.00
Buildings	782,867.00	-	-	782,867.00
Machinery & Equipment	216,182.00	-	-	216,182.00
Infrastructure	148,284.00	-	-	148,284.00
Parks	35,357.04	-	-	35,357.04
Vehicles	452,175.00	-	-	452,175.00
Total Property & Equipment	1,711,266.04	-	-	1,711,266.04
Less: Accumulated Depreciation	(1,463,132.00)	(90,435.00)		(1,553,567.00)
Net Property & Equipment	<u>\$ 248,134.04</u>			<u>\$ 157,699.04</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.

Proprietary

	June 30, 2022	Additions	Subtractions	June 30, 2023
Capital Assets not being Depreciated:				
Land	5,000.00	-	-	5,000.00
Construction in Progress		-	-	-
	5,000.00	-	-	5,000.00
Capital Assets being Depreciated:				
Land Improvements	8,716.00	-	-	8,716.00
Buildings	23,584.00	-	-	23,584.00
Machinery & Equipment	236,120.80	-	-	236,120.80
Sewer Plant	5,134,873.00	-	-	5,134,873.00
Water System	236,207.50	218,077.35	-	454,284.85
Utility System	1,287,582.82	-	-	1,287,582.82
Vehicles	3,000.00	-	-	3,000.00
Total Property & Equipment	6,935,084.12	218,077.35	-	7,153,161.47
Less: Accumulated Depreciation	(661,062.66)	(273,116.06)		(934,178.72)
Net Property & Equipment	<u>\$ 6,274,021.46</u>			<u>\$ 6,218,982.75</u>

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.

NOTE 5. LONG TERM DEBT

The Town's Public Works Authority incurred long-term debt items from USDA Rural Development to improve the water and sewer system. As of June 30, 2023, there were two notes from USDA Rural Development.

The first note was originally issued June 25, 2013, in the amount of \$1,001,000, with monthly payments of \$3,104 and an annual interest rate of 2.125%.

Amounts required to amortize this obligation as of June 30, 2023, and activity for the year ended June 30, 2023 are as follows:

FY	Principal	Interest	Total		
2024	20,116.89	17,131.11	37,248.00	Balance, Beginning of Year	835,048.89
2025	20,548.57	16,699.43	37,248.00	Principal Paid During Year	(19,694.30)
2026	20,989.50	16,258.50	37,248.00	Balance, End of Year	<u>\$815,354.59</u>
2027	21,439.91	15,808.09	37,248.00		
2028	21,899.97	15,348.03	37,248.00		
2029-2033	116,753.73	69,486.27	186,240.00		
2034-2038	129,829.63	56,410.37	186,240.00		
2039-2043	144,369.93	41,870.07	186,240.00		
2044-2048	160,538.69	25,701.31	186,240.00		
2049-2053	158,867.77	7,810.47	166,678.24		
	<u>\$815,354.59</u>	<u>\$282,523.65</u>	<u>\$1,097,878.24</u>		

The second note was originally issued June 25, 2013 in the amount of \$985,000, with monthly payments of \$2,926 and an interest rate of 1.875%.

Amounts required to amortize this obligation as of June 30, 2022, and activity for the year ended June 30, 2021 are as follows:

FY	Principal	Interest	Total		
2024	20,553.94	14,558.06	35,112.00	Balance, Beginning of Year	805,991.38
2025	20,942.65	14,169.35	35,112.00	Principal Paid During Year	(20,172.42)
2026	21,338.71	13,773.29	35,112.00	Balance, End of Year	<u>\$ 785,818.96</u>
2027	21,742.27	13,369.73	35,112.00		
2028	22,153.45	12,958.55	35,112.00		
2029-2033	117,212.56	58,347.44	175,560.00		
2034-2038	128,723.38	46,836.62	175,560.00		
2039-2043	141,364.64	34,195.36	175,560.00		
2044-2048	155,247.28	20,312.72	175,560.00		
2049-2053	136,540.08	5,342.84	141,882.92		
	<u>\$ 785,818.96</u>	<u>\$ 233,863.96</u>	<u>\$ 1,019,682.92</u>		

NOTE 6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 17, 2025, which is the date the financial statements were issued.

Russell & Williams, CPAs, P.C.

Casey J. Russell, C.P.A., M.B.A.
Autumn L. Williams, C.P.A., Esq.
Eric J. Russell, C.P.A., Esq.

2812 NW 57th St. Suite 102
Oklahoma City, OK 73112

405-607-8743

accountants@russellandwilliams.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
City of Konawa

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 City of Konawa, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Konawa's basic financial statements, and have issued our report thereon dated February 17, 2025.

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 City of Konawa'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 City of Konawa's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Konawa'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 questioned costs that we consider to be significant deficiencies. 2023-1; 2023-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Konawa'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 "Samuel & Williams CPAs PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
February 17, 2025

Schedule of Findings and Questioned Costs

2023-1 – Capital Assets – Repeat Finding

CONDITION: The City and PWA were unable to provide a detailed schedule of fixed assets to substantiate the fixed asset information presented in the financial statements and in the footnotes to the financial statements.

CRITERIA: The City and PWA should have a schedule of fixed assets in order to consistently and accurately track the purchase and disposal of fixed assets and to accurately record depreciation expense.

EFFECT OF CONDITION: Without a detailed list of fixed assets, those assets and the related depreciation and accumulated depreciation cannot be substantiated.

RECOMMENDATION: The City and PWA should conduct an inventory of fixed assets and compile a detailed list with all the necessary data.

MANAGEMENT RESPONSE: Management is working to compile the information as recommended.

2023-2 – General Ledger Accounting

CONDITION: During the course of the audit multiple instances of omitted entries into the general ledger were observed. This affected multiple revenue and expense accounts.

CRITERIA: The City and PWA should diligently ensure that the general ledger reflects every recordable event.

EFFECT OF CONDITION: If uncorrected, the omissions would have resulted in material misstatements.

RECOMMENDATION: Training for key personnel and diligent oversight by management to ensure that journal entries for every transaction are being made; review by management of monthly financial statements and reconciliations to bank accounts to ensure that the activity in the general ledger is reflective of bank activity.

MANAGEMENT RESPONSE : Management will take the recommendation under advisement.