

TOWN OF LUTHER, OKLAHOMA

Report on Audit of Financial Statements

For the period ending June 30, 2023

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Independent Auditor's Report

To the Board of Trustees
Town of Luther, Oklahoma

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation

and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Luther'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 Luther's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require

to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2023, on our consideration of the Town of Luther's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Luther's internal control over financial reporting and compliance.

Russell + Williams CPAs, P.C.

Oklahoma City, Oklahoma
November 17, 2023

Town of Luther, Oklahoma
Statement of Net Position - Modified Cash Basis
June 30, 2023

	Governmental Activities	Business-Type Activities	Totals
CURRENT ASSETS			
Cash and Cash Equivalents	1,325,214.57	159,146.82	1,484,361.39
Restricted - Cash and Cash Equivalents	-	36,009.89	36,009.89
Total Current Assets	<u>1,325,214.57</u>	<u>195,156.71</u>	<u>1,520,371.28</u>
NONCURRENT ASSETS			
Net Capital Assets	<u>1,140,090.41</u>	<u>968,891.60</u>	<u>2,108,982.01</u>
Total Noncurrent Assets	<u>1,140,090.41</u>	<u>968,891.60</u>	<u>2,108,982.01</u>
TOTAL ASSETS	<u>\$ 2,465,304.98</u>	<u>\$ 1,164,048.31</u>	<u>\$ 3,629,353.29</u>
CURRENT LIABILITIES			
Current Portion of Long Term Debt	-	6,994.00	6,994.00
Meter Deposits	-	36,394.30	36,394.30
Total Current Liabilities	-	<u>43,388.30</u>	<u>43,388.30</u>
NONCURRENT LIABILITIES			
Notes Payable	-	<u>6,614.71</u>	<u>6,614.71</u>
Total Noncurrent Liabilities	-	<u>6,614.71</u>	<u>6,614.71</u>
TOTAL LIABILITIES	-	<u>50,003.01</u>	<u>50,003.01</u>
NET POSITION			
Net Investment in Capital Assets	1,140,090.41	955,282.89	2,095,373.30
Restricted for Other Purpose	-	36,009.89	36,009.89
Unrestricted	<u>1,325,214.57</u>	<u>122,752.52</u>	<u>1,447,967.09</u>
TOTAL NET POSITION	<u>2,465,304.98</u>	<u>1,114,045.30</u>	<u>3,579,350.28</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,465,304.98</u>	<u>\$ 1,164,048.31</u>	<u>\$ 3,629,353.29</u>

The accompanying footnotes are an integral part of these financial statements

**Town of Luther, Oklahoma
Governmental Funds
Balance Sheet - Modified Cash Basis
June 30, 2023**

	General Fund	Special Revenue Fund	Total Governmental Fund
ASSETS			
Cash and Cash Equivalents	\$1,315,258.48	\$ 9,956.09	\$ 1,325,214.57
Total Assets	<u>\$1,315,258.48</u>	<u>\$ 9,956.09</u>	<u>\$ 1,325,214.57</u>
LIABILITIES			
FUND BALANCES			
General Fund	1,315,258.48	-	1,315,258.48
Special Revenue Funds	-	9,956.09	9,956.09
Total Fund Balances	<u>1,315,258.48</u>	<u>9,956.09</u>	<u>1,325,214.57</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,315,258.48</u>	<u>\$ 9,956.09</u>	<u>\$ 1,325,214.57</u>

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

Total Governmental Net Position	1,325,214.57
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,140,090.41
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds.	-
Net position per the government wide financial statements	<u>\$ 2,465,304.98</u>

The accompanying footnotes are an integral part of these financial statements

Town of Luther, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures and Changes in Net Position
Modified Cash Basis
For the Year Ending June 30, 2023

	General Fund	Special Revenue Fund	Total Governmental Fund
Revenues			
Taxes	\$ 915,085.75	\$ -	\$ 915,085.75
Licenses and Permits	40,334.88	-	40,334.88
Fines and Forfeitures	102,020.17	-	102,020.17
Other Revenues	111,457.58	-	111,457.58
Interest Revenues	42,888.58	-	42,888.58
Grant Revenues	321,038.41	-	321,038.41
Total Revenues	<u>1,532,825.37</u>	<u>-</u>	<u>1,532,825.37</u>
Expenditures			
Personnel Services	544,116.73	-	544,116.73
Maintenance and Operations	376,148.71	-	376,148.71
Capital Outlay	108,413.91	-	108,413.91
Total Expenses	<u>1,028,679.35</u>	<u>-</u>	<u>1,028,679.35</u>
Excess Revenues over Expenses	504,146.02	-	504,146.02
Other Financing Sources and Uses			
Transfers In/Out	(350,341.40)	420.87	(349,920.53)
Total Other Financing Sources and Uses	<u>(350,341.40)</u>	<u>420.87</u>	<u>(349,920.53)</u>
Net Change in Fund Balances	<u>153,804.62</u>	<u>420.87</u>	<u>154,225.49</u>
Fund Balances, Beginning	1,161,453.86	9,535.22	1,170,989.08
Fund Balances, Ending	<u>\$ 1,315,258.48</u>	<u>\$ 9,956.09</u>	<u>\$ 1,325,214.57</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2023

<i>Net Change in Fund Balances - Total Governmental Funds</i>	154,225.49
<i>Monies received for the issuance of capital leases</i>	-
<i>Monies expended for capital assets recorded as an expense in the fund statements</i>	108,413.91
<i>Depreciation expense recorded in the government wide financial statements but not recorded in the fund financial statements.</i>	(113,124.20)
<i>Monies expended for debt service that reduce debt on the government wide financial statements but recorded as an expense on the fund financial statements.</i>	-
<i>Change in Net Position per the Governmental Wide Financial Statements</i>	<u>\$ 149,515.20</u>

The accompanying notes are an integral part of these financial statements

Town of Luther, Oklahoma
Proprietary Fund
Statement of Net Position - Modified Cash Basis
June 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	159,146.82
Restricted - Cash and cash equivalents	<u>36,009.89</u>
Total Current Assets	195,156.71

NONCURRENT ASSETS

Net Capital Assets	<u>968,891.60</u>
Total Noncurrent Assets	968,891.60

TOTAL ASSETS	<u>\$ 1,164,048.31</u>
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LIABILITIES

CURRENT LIABILITIES

Meter Deposits	36,394.30
Current Portion of Long Term Debt	<u>6,994.00</u>
Total Current Liabilities	<u>43,388.30</u>

NONCURRENT LIABILITIES

Notes Payable	<u>6,614.71</u>
Total Noncurrent Liabilities	6,614.71

TOTAL LIABILITIES	<u>50,003.01</u>
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NET POSITION

Net Investment in Capital Assets	955,282.89
Restricted for Other Purposes	36,009.89
Unrestricted	<u>122,752.52</u>
TOTAL NET POSITION	<u>1,114,045.30</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,164,048.31</u>
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Town of Luther, Oklahoma
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
Modified Cash Basis
For the Year Ending June 30, 2023

Revenues	
Water	\$ 170,441.71
Sewer	70,391.00
Sanitation	136,049.50
Interest Income	0.28
Grant Revenue	37,166.88
Miscellaneous Revenue	<u>23,196.90</u>
Total Revenues	<u>437,246.27</u>
Operating Expenses	
Personnel Services	135,112.86
Maintenance and Operations	202,676.38
Sanitation	104,869.38
Interest Expense	729.60
Depreciation	<u>90,730.05</u>
Total Operating Expenses	<u>534,118.27</u>
Transfers In/Out	(349,920.53)
Change in Net Position	<u>253,048.53</u>
Beginning Net Position	<u>860,996.77</u>
Ending Net Position	<u><u>\$ 1,114,045.30</u></u>

The accompanying notes are an integral part of these financial statements

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

Cash flows from operating activities	
Receipts from customers	400,079.11
Grant Income	37,166.88
Interest Income	0.28
Payments to employees	(135,112.86)
Payments to suppliers	<u>41,645.17</u>
Net cash provided by operating activities	343,778.58
Cash flows from capital and related financing activities	
Change in meter deposits	3,680.00
Purchase of Fixed Assets	(291,357.67)
Principal paid on debt owed	<u>(15,779.56)</u>
Net cash flows from capital and related financing activities	(303,457.23)
Net increase (decrease) in cash	40,321.35
Cash, Beginning of the Year	<u>154,835.36</u>
Cash, End of the Year	<u><u>\$ 195,156.71</u></u>

*Reconciliation of operating income (loss) to net cash provided (used)
by operating activities:*

Change in Net Position	253,048.53
Adjustments to reconcile change in net assets to net cash provided	
Depreciation	<u>90,730.05</u>
Net cash provided by operating activities	<u><u>\$ 343,778.58</u></u>

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

Deposits and investments made by the Town are summarized below. The deposits are classified as to credit risk within the following three categories:

- Category 1 Insured or collateralized, with securities held by the Town or its agent in the Town's name.
- Category 2 Collateralized with securities held by the pledging financial institution’s trust department or agent in the Town's name.
- Category 3 Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Town's name.)

For the year ending June 30, 2023, the Town and its component units had category one deposits up to the FDIC insurance limits. The remaining account balances for the Town and its component units were category three.

A. Restricted Assets

The Luther Public Works Authority includes restricted cash and investments held for refund to customers for water deposits and are included as restricted assets. As of June 30, 2023 cash restricted for customer deposits was \$36,010.

B. Deposits subject to refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2023, cash and investments included \$36,010 available for refund of customer deposits, while the liability to customers was \$36,394.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the Town general fund as fines. As of June 30, 2023, \$0- was being held that was subject to refund.

NOTE 4. CAPITAL ASSETS AND DEPRECIATION

Capital asset balances and activities for the year ended June 30, 2023 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Funds				
Land	70,235	-	-	70,235
Buildings	1,087,608	-	-	1,087,608
Equipment	892,387	108,414	-	1,000,801
Improvements	464,686	-	-	464,686
Total capital assets	2,514,916	108,414	-	2,623,330
Accumulated Depreciation	(1,370,116)	(113,124)	-	(1,483,240)
Net Assets	<u>\$ 1,144,800</u>			<u>\$ 1,140,090</u>
Business-type activities				
Land	82,000	-	-	82,000
Water system	1,002,646	-	-	1,002,646
Water equipment	99,886	-	-	99,886
Sewer system	898,981	291,356	-	1,190,337
Sewer equipment	33,750	-	-	33,750
Total capital assets	2,117,263	291,356	-	2,408,619
Accumulated Depreciation	(1,348,998)	(90,730)	-	(1,439,728)
Net Assets	<u>\$ 768,265</u>			<u>\$ 968,891</u>

NOTE 5. NOTES PAYABLE

Long-term liabilities of the Town of Luther as of June 30, 2023, are summarized as follows:

Business-type activities

The first note payable is to BancFirst and carries an interest rate of 3.45%. These monies were used to a new truck. The balance of this note as of June 30, 2023 was \$13,609 and matures in May 2025. The PWA paid \$6,747 in principal and \$595 in interest on this obligation for the year ending June 30, 2023. Payments on this note are \$613 per month.

	Principal	Interest		
2023/2024	6,994	358	Balance, Beginning of Year	\$ 20,356
2024/2025	6,615	113	Principal Paid During Year	<u>(6,747)</u>
Total	<u>\$ 13,609</u>	<u>\$ 471</u>	Balance, End of Year	<u>\$ 13,609</u>

NOTE 6. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town has insurance for the major risks such as property and general liability, workers' compensation, and unemployment. Commercial insurance is used to cover general liability claims and the risk of loss to Town buildings and mobile equipment. Judgments against the Town may be paid by a property tax assessment over a three-year period.

NOTE 7. EMPLOYEE NOTES RECEIVABLES

On September 21, 2015, the Town was given notice from the State of Oklahoma Firefighters Pension and Retirement System (OFPRS) that no paid contribution had been withheld or paid to the System and that the employer contribution had also not been paid to the System. OFPRS required that the full balance owed by the Town and the employee be paid immediately. On October 8, 2015, the Town paid the full balance of \$32,757.88 owed to OFPRS. The employees portion was \$12,623.04. The employee entered into a promissory agreement with the LPWA to repay the \$12,623.04. The employee has agreed to repay a portion of this note back to the LPWA each pay period. The balance on this note as of 6/30/2023 was \$224.91.

As of July 2017, this employee was no longer employed by the Town of Luther. However, payments are still being made and they will continue to be liable for such amounts until the amount is paid in full.

NOTE 8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 17, 2023, which is the date the financial statements were issued.

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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 Luther

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Luther, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Luther's basic financial statements, and have issued our report thereon dated November 17, 2023.

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 Luther'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 Luther's internal control. Accordingly, we do not express an opinion on the effectiveness of Luther's internal control.

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

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2023-1.

Compliance and Other Matters

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

Town of Luther's Response to Findings

Town of Luther's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Luther's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Russell + Williams CPA's, P.C.

Oklahoma City, Oklahoma
November 17, 2023

Schedule of Current Findings and Responses

2023-1 Lack of Segregation of Duties (Repeat Finding)

CONDITION: During our review of the internal control structure, we noted that several procedures lack the control of having duties segregated. We understand that due to the size of the town and number of personnel, many aspects related to segregation of duties cannot be implemented.

CRITERIA: Proper internal control requires a separation of record keeping from the associated assets or a system of management oversight to compensate for the lack of separation.

CAUSE OF CONDITION: Limited personnel and the ability of one person to have absolute access.

EFFECT OF CONDITION: The Town is subject to embezzlement without proper controls.

RECOMMENDATION: A third party or individual should be added to the day-to-day activities to help strengthen the internal controls. This could be done by the Treasurer or a board member reviewing the accounts on a weekly basis (at a minimum) and also reconciling the deposits to the cash register system. Furthermore, it is recommended that a review be done each month to insure that the bills approved for in the previous month were the only checks that were paid.

MANAGEMENT RESPONSE: All checks now require two for all checks under \$2,500 and three signatures for all checks over \$2,500. Furthermore, all transfers within accounts must have three signatures. All debit card and/or credit card will require board approval. An outside CPA has been hired to help reconcile matters on a monthly basis so that internal controls can be stronger. All credit for Utility Billings and Tickets must be signed off by at least two people.