

**Town of Earlsboro, Oklahoma**

**Financial Statements and Report  
of Independent Accountants**

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

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Town of Earlsboro, 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 Earlsboro, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Earlsboro'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 Earlsboro, 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 Earlsboro, 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 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 Town of Earlsboro'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 Earlsboro'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 Matters**

#### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024, on our consideration of the Town of Earlsboro'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 Earlsboro'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 Earlsboro's internal control over financial reporting and compliance.



Russell & Williams, CPA's, P.C.  
Oklahoma City, Oklahoma  
January 31, 2024

**Town of Earlsboro**  
**Statement of Net Assets - Government-Wide - Modified Cash Basis**  
**For the Year Ended June 30, 2023**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash in Bank - Unrestricted	\$ 17,489.86	\$ 25,484.51	\$ 42,974.37
Cash in Bank - Restricted	681,564.44	26,749.20	708,313.64
Total Current Assets	699,054.30	52,233.71	751,288.01
<b>Non-Current Assets</b>			
Capital Assets, net	414,133.63	1,598,366.38	2,012,500.01
Total Non-Current Assets	414,133.63	1,598,366.38	2,012,500.01
<b>TOTAL ASSETS</b>	<u>\$ 1,113,187.93</u>	<u>\$ 1,650,600.09</u>	<u>2,763,788.02</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Current Portion of Long Term Debt	5,900.56	15,692.99	21,593.55
<b>LONG-TERM LIABILITIES</b>			
Notes Payable net of Current Portion	-	713,101.60	713,101.60
<b>TOTAL LIABILITIES</b>	5,900.56	728,794.59	734,695.15
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	408,233.07	869,571.79	1,277,804.86
Restricted for Other Purposes	681,564.44	26,749.20	708,313.64
Unrestricted	17,489.86	25,484.51	42,974.37
<b>TOTAL NET ASSETS</b>	<u>1,107,287.37</u>	<u>921,805.50</u>	<u>2,029,092.87</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,113,187.93</u>	<u>\$ 1,650,600.09</u>	<u>\$ 2,763,788.02</u>

The accompanying footnotes are an integral part of these financial statements

**Town of Earlsboro**  
**Statement of Activities - Government-Wide - Modified Cash Basis**  
**For the Year Ended June 30, 2023**

				Net (expense) revenue and Changes in net assets		
Program Revenues				Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
General Government	184,193.16	-	54,744.60	(129,448.56)	-	(129,448.56)
Court	27,659.46	87,398.09	-	59,738.63	-	(129,448.56)
Streets Department	30,575.06	-	-	(30,575.06)	-	(30,575.06)
Police Department	188,182.35	-	22,449.06	(165,733.29)	-	(165,733.29)
Fire Department	78,212.48	-	29,052.68	(49,159.80)	-	(49,159.80)
<b>Total Governmental Activities</b>	508,822.51	87,398.09	106,246.34	(315,178.08)	-	(504,365.27)
<b>Business-Type Activities</b>						
Sewer Department	75,504.14	74,577.72	-	-	(926.42)	(926.42)
<b>Total Business-Type Activities</b>	75,504.14	74,577.72	-	-	(926.42)	(926.42)
<b>Total Primary Government</b>	<u>\$ 584,326.65</u>	<u>\$ 161,975.81</u>	<u>\$ 106,246.34</u>	<u>\$ (315,178.08)</u>	<u>\$ (926.42)</u>	<u>\$ (316,104.50)</u>
<b>General Revenues</b>						
Sales & Use Taxes				420,168.92	-	420,168.92
Other Taxes				25,164.77	-	25,164.77
Other Revenues				19,838.88	-	19,838.88
<b>Total General Revenue</b>				465,172.57	-	465,172.57
Interest				8,924.81	(16,405.00)	
<b>Change in Net Assets</b>				158,919.30	(17,331.42)	141,587.88
<b>Net Assets Beginning</b>				948,368.07	939,136.92	1,887,504.99
<b>Net Assets Ending</b>				<u>\$ 1,107,287.37</u>	<u>\$ 921,805.50</u>	<u>2,029,092.87</u>

The accompanying footnotes are an integral part of these financial statements

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

	General Government	Fire Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash in Bank - Unrestricted	17,489.86	-	17,489.86
Cash in Bank - Restricted	594,119.99	87,444.45	681,564.44
<b>Total Assets</b>	<u>611,609.85</u>	<u>87,444.45</u>	<u>699,054.30</u>
<b>LIABILITIES</b>			
Current Portion of Long-Term Debt	5,900.56	-	5,900.56
<b>Total Liabilities</b>	5,900.56	-	5,900.56
<b>FUND BALANCES</b>			
Fund Balance - Unrestricted	11,589.30	-	11,589.30
Fund Balance - Restricted	594,119.99	87,444.45	681,564.44
<b>TOTAL FUND BALANCES</b>	<u>605,709.29</u>	<u>87,444.45</u>	<u>693,153.74</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>611,609.85</u>	<u>87,444.45</u>	<u>699,054.30</u>

***Reconcilement of fund financial statements to  
government-wide financial statements***

Total Governmental Fund Balances	\$ 693,153.74
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>414,133.63</u>
Net Assets of Governmental Activities	<u>\$ 1,107,287.37</u>

The accompanying footnotes are an integral part of these financial statements

**Town of Earlsboro**  
**Statement of Revenues, Expenditures, and Changes in Net Assets -**  
**Governmental Funds - Modified Cash Basis**  
**For the Year Ended June 30, 2023**

	General Fund	Fire Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes	385,406.36	59,927.33	445,333.69
Fines	87,398.09	-	87,398.09
Grants	106,246.34	-	106,246.34
Other Revenues	19,838.88	-	19,838.88
<b>Total Revenues</b>	<u>598,889.67</u>	<u>59,927.33</u>	<u>658,817.00</u>
<b>Expenditures</b>			
Personnel Services	241,063.74	17,033.28	258,097.02
Maintenance and Operations	223,725.12	-	223,725.12
Debt Service	6,201.44	-	6,201.44
<b>Total Expenditures</b>	<u>470,990.30</u>	<u>17,033.28</u>	<u>488,023.58</u>
Operating Income (Loss)	127,899.37	42,894.05	170,793.42
<b>Nonoperating Revenues (Expenses)</b>			
Interest	8,924.81		8,924.81
Capital Expenditures	(4,952.75)	(72,493.32)	(77,446.07)
Total Nonoperating Revenues (Expenses)	3,972.06	(72,493.32)	(68,521.26)
Change in Fund Balance	131,871.43	(29,599.27)	102,272.16
Fund Balance at Beginning of Year	473,837.86	117,043.72	590,881.58
Fund Balance at End of Year	<u>\$ 605,709.29</u>	<u>\$ 87,444.45</u>	<u>\$ 693,153.74</u>

*Reconciliation of Fund Financial Statement to  
Government-Wide Financial Statements:*

Change in Net Assets, Fund Financial Statements	102,272.16
Capital Expenditures are Reported as Changes in Net Assets on the Government-Wide Statements	77,446.07
Debt Service is a Reduction in Debt on the Government- Wide Statements	6,201.44
Depreciation Expense is Reported on the Government- Wide Basis but not on the Fund Basis	<u>(27,000.37)</u>
Change in Net Assets per the Government-Wide Financial Statements	<u>\$ 158,919.30</u>

The accompanying footnotes are an integral part of these financial statements



**Town of Earlsboro**  
**Statement of Net Assets - Proprietary Fund - Modified Cash Basis**  
**For the Year Ended June 30, 2023**

**ASSETS**

**Current Assets:**

Cash in Bank - Unrestricted	25,484.51
Cash in Bank - Restricted	<u>26,749.20</u>
<b>Total Current Assets</b>	<b>52,233.71</b>

**Noncurrent Assets**

Capital Assets, net	<u>1,598,366.38</u>
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<b>TOTAL ASSETS</b>	<b><u>\$ 1,650,600.09</u></b>
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**LIABILITIES**

**Current Liabilities:**

Current Portion of Long Term Debt	<u>15,692.99</u>
<b>Total Current Liabilities</b>	<b>15,692.99</b>

**Noncurrent Liabilities:**

Notes Payable net of Current Portion	<u>713,101.60</u>
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<b>TOTAL LIABILITIES</b>	<b>728,794.59</b>
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**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	869,571.79
Restricted for Other Purposes	26,749.20
Unrestricted - Net Assets	<u>25,484.51</u>

<b>TOTAL NET ASSETS</b>	<b><u>921,805.50</u></b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,650,600.09</u></b>
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**Town of Earlsboro**  
**Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund - Modified Cash Basis**  
**For the Year Ended June 30, 2023**

**Operating Revenues:**

Sewer Fees	47,577.72
Other Revenues	27,000.00
<b>Total Operating Revenues</b>	<u>74,577.72</u>

**Operating Expenditures:**

Maintenance and Operations	16,609.42
Depreciation	58,894.72
Interest	16,405.00
<b>Total Operating Expenses</b>	<u>91,909.14</u>

<b>Operating Gain or (Loss)</b>	(17,331.42)
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**Non-Operating Revenues and Expenses**

<b>Change in Net Assets</b>	(17,331.42)
<b>Net Assets at beginning of year</b>	<u>939,136.92</u>
<b>Net Assets at end of year</b>	<u><u>\$ 921,805.50</u></u>

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

**Cash Flows from Operating Activities**

Receipts from customers	\$ 74,577.72
Payments to Suppliers	(16,609.42)
Cash paid for interest	(16,405.00)
<b>Net cash provided by operating activities</b>	<u>41,563.30</u>

**Cash Flows from Investing Activities**

**Cash Flows from Capital and Related Financing Activities**

Principal paid on long term debt	(29,029.47)
<b>Net increase (decrease) in cash</b>	<u>12,533.83</u>

Cash, Beginning of the Year	39,699.88
<b>Cash, End of the Year</b>	<u><u>\$ 52,233.71</u></u>

***Reconcilement of change in net assets to net cash provided by operations***

Change in Net Assets	(17,331.42)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	58,894.72
<b>Net cash provided by operating activities</b>	<u><u>\$ 41,563.30</u></u>

## **Town of Earlsboro, Oklahoma**

### **Notes to the Basic Financial Statements For the Year Ended June 30, 2023**

#### **Note 1-Summary of Significant Accounting Policies**

##### Financial Reporting Entity

The Town of Earlsboro, Oklahoma is a statutory town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, public works 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 had only one component unit, the Earlsboro Public Works Authority.

##### Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are accounted for in the general fund, police fund and fire fund. Proprietary funds include enterprise funds. The proprietary funds consisted of the Earlsboro Public Works Authority.

##### Basis of Accounting

##### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the modified cash basis of accounting. Revenues are recognized when collected and expenses are recognized when paid. This is the same approach used in the preparation of the proprietary fund financial statements. The fund financial statements also use the modified cash basis of accounting. The government-wide statements record fixed assets and long-term debt as assets and liabilities. The fund financial statements record fixed assets as expenditures. The fund financial statements record the proceeds of long term debt as revenue and the repayment of long term debt as expenditures. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct

expenses between governments that allocate direct expenses and those that do not. Program revenues 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. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

## FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

## PROPRIETARY FUNDS

The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable, then Government Accounting Standards Board pronouncements are used

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of monies held in conjunction with the Earlsboro Public Works Authority's meter deposits requirements and restricted county sales tax proceeds for the Earlsboro Volunteer Fire Department.

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2021.

### Budget

In accordance with Oklahoma Statutes, Title 11, Section 3002, the Town Board of Trustees formally adopts annual budgets which include substantially all funds. 2022These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Budget Act.

### Risk Management

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

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Government-wide Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

- a. Invested in capital assets, net of related debt- consist of the historical cost of capital assets, loan proceeds that have not been spent less accumulated depreciation and less any debt that remains.

- b. Restricted net assets, consist of net assets that are restricted by the Town's creditors, by the state enabling legislation, by grantors and by other contributors.
- c. Unrestricted, all other net assets are reported in this category.

#### Governmental Fund Balances

- a. Nonspendable, amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted, amounts that can be spent only for specific purposes because of the Town's ordinances, state or federal law, or externally imposed conditions by grantors or creditors.
- c. Committed, amounts that can be used only for specific purposes determined by a formal action by Board of Trustee's resolution.
- d. Assigned, amounts that are designated by the Board of Trustees
- e. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets) the Town's policy is to first apply the expense toward the restricted resources and then toward unrestricted resources. In governmental funds, the town's policy is to first apply the expenditure toward restricted fund balances and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

#### Transfers In and Out

The Town will transfer funds within the Town's fund structure in order to facilitate cash flow or for special purposes. Net transfers are as follows:

Governmental Fund:	(0.00)
Public Works Authority:	<u>0.00</u>
	\$ 0

#### **Note 2-Deposits with Financial Institutions**

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Earlsboro is considered a separate entity from the Earlsboro Public Works Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Earlsboro'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 Earlsboro Public Works Authority. The remaining funds would be category 3.

### Note 3-Capital Assets and Depreciation

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

#### Town of Earlsboro

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings	467,597.00	-	-	467,597.00
Equipment	146,834.41	-	-	146,834.41
Fire Equipment	301,302.01	72,493.32	-	373,795.33
Police Equipment	-	45,990.26	-	45,990.26
Streets	-	128,900.00	-	128,900.00
Total	915,733.42	247,383.58	-	1,163,117.00
Accumulated Depreciation	(721,983.00)	(27,000.37)	-	(748,983.37)
Net Assets	\$ 193,750.42	\$ 220,383.21	\$ -	\$ 414,133.63

As of June 30, 2023, the Town of Earlsboro 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 amounts were not available.

#### Public Works Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Lagoon	189,500.00			189,500.00
Buildings	628,940.00			628,940.00
Sewer System	1,298,785.00			1,298,785.00
Total	2,117,225.00	-	-	2,117,225.00
Accumulated Depreciation	(459,963.90)	(58,894.72)		(518,858.62)
Net Assets	\$ 1,657,261.10	\$ (58,894.72)	\$ -	\$ 1,598,366.38

As of June 30, 2023, the Public Works Authority 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 amounts were not available.

### Note 4 – Capital Lease

During the year ended June 30, 2019, the Town of Earlsboro signed a lease purchase agreement with SNB Bank, National Association, for a John Deere 5045 Utility Tractor and John Deere 520M Loader. The terms of the lease call for annual payments of \$6,400, as well as annual renewal by ratification consistent with

the requirements of Okla. Stat. tit. 62, § 430.1. The lease purchase agreement is recorded as a capital acquisition consistent with Generally Accepted Accounting Principles. This obligation is considered a direct borrowing. Principal required to amortize this obligation is as follows:

Year Ending	Principal Due	Interest Due		
2024	5,901	195	Beginning Balance	12,102
Totals	<u>\$ 5,901</u>	<u>\$ 195</u>	Proceeds	-
			Principal Paid	<u>6,201</u>
			Ending Balance	<u>\$ 5,901</u>
			Interest Paid	<u>\$ 199</u>

#### Note 4- Notes Payable

##### Earlsboro Public Works Authority

During the year ending June 30, 2017 the Earlsboro Public Works Authority was granted a note payable from the United States Department of Agriculture. The monies are for sewer system upgrades. The loan originated at \$732,000 with an interest rate of 1.875%. The loan requires monthly payments of \$2,175. Collateral for this obligation are the revenues and receivable generated by the system. This obligation is considered a direct borrowing. Principal required to amortize this obligation is as follows:

Year Ending	Principal Due	Interest Due		
2024	14,226	11,874	Beginning Balance	653,734
2025	14,495	11,605	Proceeds	-
2026	14,769	11,331	Principal Paid	<u>(13,962)</u>
2027	15,049	11,051	Ending Balance	<u>\$ 639,772</u>
2028	15,185	10,915		
2029-2033	80,304	50,879	Interest Paid	<u>\$ 12,262</u>
2034-2038	88,120	43,060		
2039-2043	96,697	34,473		
2044-2048	106,109	25,042		
2049-2053	116,437	14,686		
2054-2056	<u>78,382</u>	<u>3,663</u>		
Totals	<u>\$ 639,772</u>	<u>\$ 229,559</u>		

The Town is required to set aside ten percent of each months total debt service until a full year of debt service payments has been accumulated. As of June 30, 2023 all of the required monies had been set aside.

During the year ending June 30, 2019 the Earlsboro Public Works Authority was granted a note payable from a local financial institution. The monies are for purchase of a building. The loan originated at \$151,600 with an interest rate of 4.25%. The loan requires monthly payments of \$1,557. Collateral for this



obligation is the building purchased. This obligation is considered a direct borrowing. Principal required to amortize this obligation is as follows:

Year Ending	<u>Principal Due</u>	<u>Interest Due</u>		
2024	14,867	3,513	Beginning Balance	104,090
2025	15,499	2,855	Proceeds	-
2026	16,158	2,169	Principal Paid	<u>(15,068)</u>
2027	16,844	1,453	Ending Balance	<u>\$ 89,022</u>
2028	17,560	1,124		
2029	<u>8,095</u>	<u>378</u>		
Totals	<u>\$ 89,022</u>	<u>\$ 11,492</u>	Interest Paid	<u>\$ 4,143</u>

#### **Note 5-Subsequent Events**

Subsequent events have been evaluated through January 31, 2024 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 Earlsboro, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Earlsboro, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Earlsboro, Oklahoma's basic financial statements and have issued our report thereon dated January 31, 2024. Our opinion on the government-wide governmental activities was adverse due to the Town not recording depreciation on governmental capital assets.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Earlsboro, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Earlsboro, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Earlsboro, 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. 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. See 2023-1 in the schedule of findings and questioned costs.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Earlsboro, 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*.

## **Town of Earlsboro, Oklahoma's Response to Findings**

Town of Earlsboro, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Earlsboro, Oklahoma'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.

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

Oklahoma City, Oklahoma  
January 31, 2024

## **Schedule of Findings and Responses**

### **Internal Control Items**

#### **2023-1 Lack of Segregation of Duties**

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: We believe that internal control procedures would be strengthened by reviewing the individual tasks to determine whether internal control procedures could be improved.

CAUSE OF CONDITION: Limited personnel

EFFECT OF CONDITION: Unknown

RECOMMENDATION: The Town should review individual tasks to determine whether internal control procedures could be improved through the addition of personnel or other measures.

MANAGEMENT RESPONSE: Management is formulating a response.