

**Town of Rattan, 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 .....	1-3
<u>Government Wide Financial Statements</u>	
Statement of Net Position – Modified Cash Basis .....	4
Statement of Activities – Modified Cash Basis .....	5
<u>Fund Financial Statements</u>	
Balance Sheet-Governmental Funds – Modified Cash Basis .....	6
Statement of Revenues, Expenditures and Changes in in Fund Balances-Governmental Funds – Modified Cash Basis .....	7
Statement of Net Position-Proprietary Funds – Modified Cash Basis .....	8
Statement of Revenue over Expenditures and Changes in Retained Earnings-Proprietary Funds – Modified Cash Basis .....	9
Statement of Cash Flows-Proprietary Funds – Modified Cash Basis .....	10
Notes to the Basic Financial Statements .....	11-15
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	16-17
Schedule of Findings and Responses .....	18

# **Russell & Williams CPAs, PC**

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

**2812 NW 57<sup>th</sup> Street, Suite 102  
Oklahoma City, Oklahoma 73112**

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

---

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Town of Rattan, 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 Rattan, 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 Rattan, 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 Rattan 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 Rattan'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 Rattan'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 Rattan'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 24, 2023, on our consideration of the Town of Rattan'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 Rattan's internal control over financial reporting and compliance.

*Russell + Williams CPAs, P.C.*

Oklahoma City, Oklahoma  
November 24, 2023

**Town of Rattan**  
**Statement of Net Assets - Modified Cash Basis**  
**June 30, 2023**

	Governmental Activities	Business-Type Activities	Totals
<b>CURRENT ASSETS</b>			
Cash in Bank - Unrestricted	\$ 295,235.78	\$ 1,794.88	\$ 297,030.66
Cash in Bank - Restricted	49,955.05	5,534.16	55,489.21
<b>Total Current Assets</b>	<u>345,190.83</u>	<u>7,329.04</u>	<u>352,519.87</u>
<b>PROPERTY AND EQUIPMENT</b>			
Capital Assets, net	<u>1,036,575.24</u>	<u>704,492.80</u>	<u>1,741,068.04</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,381,766.07</u></u>	<u><u>\$ 711,821.84</u></u>	<u><u>\$ 2,093,587.91</u></u>
<b>CURRENT LIABILITIES</b>			
Payroll Taxes Payable	\$ 3,141.97	\$ 154.92	\$ 3,296.89
Current Portion of Long Term Debt	<u>-</u>	<u>8,346.22</u>	<u>8,346.22</u>
<b>Total Current Liabilities</b>	<u>3,141.97</u>	<u>8,501.14</u>	<u>11,643.11</u>
<b>LONG-TERM LIABILITIES</b>			
Notes Payable - Less Current Portion	<u>-</u>	<u>285,055.65</u>	<u>285,055.65</u>
<b>TOTAL LIABILITIES</b>	<u>3,141.97</u>	<u>293,556.79</u>	<u>296,698.76</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,036,575.24	411,090.93	1,447,666.17
Restricted for Other Purposes	49,955.05	-	49,955.05
Unrestricted	<u>292,093.81</u>	<u>7,174.12</u>	<u>299,267.93</u>
<b>TOTAL NET POSITION</b>	<u>1,378,624.10</u>	<u>418,265.05</u>	<u>1,796,889.15</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 1,381,766.07</u></u>	<u><u>\$ 711,821.84</u></u>	<u><u>\$ 2,093,587.91</u></u>

The accompanying footnotes are an integral part of these financial statements

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

Functions/Programs	Expenses	Program Revenues		Net (expense) revenue and Changes in net assets		Total
		Charges for Services	Operatings Grants and Contributions	Primary Government Governmental Activities	Business-Type Activities	
Primary Government						
Governmental Activities						
General Government	164,287.81	49,101.35	105,437.31	(9,749.15)	-	(9,749.15)
Police Department	169,516.55	117,186.92	-	(52,329.63)	-	(52,329.63)
Fire Department	46,196.61	-	17,881.39	(28,315.22)	-	(28,315.22)
Streets Department	-	-	2,501.58	2,501.58	-	2,501.58
<b>Total Governmental Activities</b>	<u>380,000.97</u>	<u>166,288.27</u>	<u>125,820.28</u>	<u>(87,892.42)</u>	<u>-</u>	<u>(87,892.42)</u>
Business-Type Activities						
Sewer Department	96,000.80	46,081.00	-	-	(49,919.80)	(49,919.80)
<b>Total Business-Type Activities</b>	<u>96,000.80</u>	<u>46,081.00</u>	<u>-</u>	<u>-</u>	<u>(49,919.80)</u>	<u>(49,919.80)</u>
<b>Total Primary Government</b>	<u>\$ 476,001.77</u>	<u>\$ 212,369.27</u>	<u>\$ 125,820.28</u>	<u>\$ (87,892.42)</u>	<u>\$ (49,919.80)</u>	<u>\$ (137,812.22)</u>
		General Revenues				
		Sales Taxes		156,986.31	-	156,986.31
		Franchise Taxes		15,034.47	-	15,034.47
		Alcoholic Beverage Taxes		24,460.43	-	24,460.43
		Cigarette & Cigar Taxes		947.52	-	947.52
		Total General Government Revenue		<u>197,428.73</u>	<u>-</u>	<u>197,428.73</u>
		<b>Change in Net Position</b>		109,536.31	(49,919.80)	59,616.51
		Net Position - Beginning		<u>1,269,087.79</u>	<u>468,184.85</u>	<u>1,737,272.64</u>
		<b>Net Position - Ending</b>		<u>\$ 1,378,624.10</u>	<u>\$ 418,265.05</u>	<u>\$ 1,796,889.15</u>

The accompanying footnotes are an integral part of these financial statements

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

	General Fund	Total Governmental Fund
<b>ASSETS</b>		
Cash in Bank - Unrestricted	295,235.78	295,235.78
Cash in Bank - Restricted	<u>49,955.05</u>	<u>49,955.05</u>
<b>Total Assets</b>	<u><u>\$ 345,190.83</u></u>	<u><u>\$ 345,190.83</u></u>
<b>LIABILITIES</b>		
Payroll Taxes Payable	<u>3,141.97</u>	<u>3,141.97</u>
<b>Total Liabilities</b>	3,141.97	3,141.97
<b>FUND BALANCES</b>		
Unassigned	292,093.81	292,093.81
Restricted	<u>49,955.05</u>	<u>49,955.05</u>
<b>TOTAL FUND BALANCES</b>	<u><u>342,048.86</u></u>	<u><u>342,048.86</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 345,190.83</u></u>	<u><u>\$ 345,190.83</u></u>

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

<i>Total Governmental Fund Balances</i>	\$ 342,048.86
<i>Capital assets included in the government wide financial statements not in the fund financial statements</i>	<u>1,036,575.24</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 1,378,624.10</u></u>



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

	General Fund	Total Governmental Funds
<b>Revenues</b>		
Taxes	\$ 217,811.70	\$ 217,811.70
Fines	117,186.92	117,186.92
Grant Revenues	105,437.31	105,437.31
Other Revenues	<u>49,101.35</u>	<u>49,101.35</u>
<b>Total Revenues</b>	489,537.28	489,537.28
<b>Expenditures</b>		
Personel Services	135,983.60	135,983.60
Maintenance and Operations	162,056.75	162,056.75
Capital Outlay	<u>64,200.00</u>	<u>64,200.00</u>
<b>Total Expenditures</b>	<u>362,240.35</u>	<u>362,240.35</u>
<b>Excess Revenues Over (Under) Expenditures</b>	127,296.93	127,296.93
Fund Balance at beginning of year	<u>214,751.93</u>	<u>214,751.93</u>
Fund Balance at end of year	<u><u>\$ 342,048.86</u></u>	<u><u>\$ 342,048.86</u></u>

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

<i>Net Change in Fund Balances</i>	127,296.93
<i>Capital outlay included in the fund financial statements but not in the government wide statements</i>	64,200.00
<i>Depreciation included in the government wide financial staetments but no in the fund financial statements</i>	<u>(81,960.62)</u>
<b><i>Change in Net Position of governmental activities</i></b>	<u><u>\$ 109,536.31</u></u>

**Town of Rattan**  
**Proprietary Fund**  
**Statement of Net Position - Modified Cash Basis**  
**June 30, 2023**

**ASSETS**

**Current Assets:**

Cash in Bank - Unrestricted	1,794.88
Cash in Bank Restricted - USDA	<u>5,534.16</u>
<b>Total Current Assets</b>	<b>7,329.04</b>

**Noncurrent Assets**

Capital Assets, net	<u>704,492.80</u>
<b>Total Noncurrent Assets</b>	<b><u>704,492.80</u></b>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 711,821.84</u></u></b>

**LIABILITIES**

**Current Liabilities:**

Payroll Taxes Payable	154.92
Current Portion of Long Term Debt	<u>8,346.22</u>
<b>Total Current Liabilities</b>	<b>8,501.14</b>

**Noncurrent Liabilities:**

Notes Payable - Less Current Portion	<u>285,055.65</u>
<b>Total Noncurrent Liabilities</b>	<b><u>285,055.65</u></b>
<b>TOTAL LIABILITIES</b>	<b>293,556.79</b>

**NET POSITION**

Net Investment in Capital Assets	411,090.93
Unrestricted - Net Assets	<u>7,174.12</u>
<b>TOTAL NET POSITION</b>	<b><u>418,265.05</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u><u>\$ 711,821.84</u></u></b>

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

**Town of Rattan**  
**Proprietary Fund**  
**Statement of Revenues, Expenditures and Changes in Net Position**  
**Modified Cash Basis**  
**For the Year Ending June 30, 2023**

**Operating Reveues:**

Sewer Fees	\$ 46,081.00
<b>Total Operating Revenues</b>	<u>46,081.00</u>

**Operating Expenditures:**

Personnel Services	9,776.75
Maintenance and Operations	36,861.90
Depreciation	37,078.57
Interest	<u>12,283.58</u>
<b>Total Operating Expenditures</b>	<u>96,000.80</u>

<b>Operating Income</b>	(49,919.80)
-------------------------	-------------

**Non-Operating Revenues (Expenses)**

<b>Change in Net Position</b>	(49,919.80)
-------------------------------	-------------

<b>Net Position at beginning of year</b>	<u>468,184.85</u>
--	-------------------

<b>Net Position at end of year</b>	<u><u>\$ 418,265.05</u></u>
------------------------------------	-----------------------------

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

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

**Cash flows from operating activities**

Cash received from customers	\$ 46,081.00
Cash paid to employees	(9,764.53)
Cash paid to suppliers	(36,861.90)
Cash paid in interest expense	<u>(12,283.58)</u>
<b>Net cash provided by operating activities</b>	<b>(12,829.01)</b>

**Cash flows from capital and related financing activities**

Increase in restricted cash	5,951.95
Principal paid on capital debt	<u>(8,008.42)</u>
<b>Net cash provided (used) for capital and related financing activities</b>	<b><u>(2,056.47)</u></b>

**Net increase (decrease) in cash and cash equivalents** (14,885.48)

Cash and cash equivalents at beginning of year	<u>16,680.36</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 1,794.88</u></b>

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

Operating income (loss)	(49,919.80)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	37,078.57
Increase (decrease) in payroll taxes payable	<u>12.22</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ (12,829.01)</u></b>

**Town of Rattan, 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 Rattan, 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 Rattan 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. Proprietary funds include enterprise funds. The proprietary funds consisted of the Rattan 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 Rattan Public Works Authority's meter deposits requirements and restricted county sales tax proceeds for the Rattan 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, 2023.

#### Budget

In accordance with Oklahoma Statutes, Title 11, Section 3002, the Town Board of Trustees formally adopts annual budgets which include substantially all funds. These 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. Unassigned, the residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

### 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.

### **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 Rattan is considered a separate entity from the Rattan 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 Rattan'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 Rattan 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:

#### Governmental Funds

	Beginning Balance	Increases	Decreases	Ending Balance	Depreciation Expense
Land and Buildings	1,117,330	64,200	-	1,181,530	40,738
Fire Equipment	451,073	-	-	451,073	20,952
Police Equipment	211,533	-	-	211,533	20,271
Total	1,779,936	64,200		1,844,136	<u>\$ 81,961</u>
Accumulated Depreciation	(725,600)	(81,961)	-	(807,561)	
Net Assets	<u>\$ 1,054,336</u>			<u>\$ 1,036,575</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. During the year ending June 30, 2023 the Town record \$81,961 in depreciation. Depreciation was allocated as follows: Administration \$40,738, Fire Department \$20,952, and Police \$20,271.

#### Public Works Authority

	Beginning Balance	Increases	Decreases	Ending Balance	Depreciation Expense
Machinery & Equipment	\$ 1,545	-	-	\$ 1,545	-
Water & Sewer System	1,483,143	-	-	1,483,143	37,079
Total	\$ 1,484,688			\$ 1,484,688	<u>\$ 37,079</u>
Accumulated Depreciation	(743,117)	(37,079)	-	(780,196)	
Net Assets	<u>\$ 741,571</u>			<u>\$ 704,492</u>	

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 were not available. Depreciation of \$37,079 for the Public Works Authority was recorded as follows: sewer system \$37,079.

### Note 4- Notes Payable

#### **Rattan Public Works Authority**

The Rattan Public Works Authority had two notes payable outstanding with the United States Department of Agriculture as of June 30, 2023.

The first note originated at \$250,000 in 2007. The monies were used to build and improve the Authority's sewer system. The balance of the loan at June 30, 2023 was \$188,847 and carries an interest rate of 4.125% and calls for monthly payments of \$1,088. The sewer system and revenues generated from the system is the collateral for this obligation. Monies need to amortize this obligation is as follows:



Year Ending	Principal Due	Interest Due		
2024	5,367	7,689	Beginning Balance	193,997
2025	5,592	7,464	Principal Paid	(5,150)
2026	5,828	7,228	Ending Balance	<u>\$ 188,847</u>
2027	6,073	6,983		
2028	6,328	6,728	Interest Paid	<u>\$ 7,906</u>
2028/2033	35,860	29,420		
2033/2038	44,059	21,221		
2038/2043	54,132	11,148		
2043/2045	25,609	503		
Totals	<u>\$ 188,847</u>	<u>\$ 98,384</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.

The second note originated at \$138,500 in 2007. The monies were used to build and improve the Authority's sewer system. The balance of the loan at June 30, 2023 was \$104,555 and carries an interest rate of 4.125% and calls for monthly payments of \$603. The sewer system and revenues generated from the system is the collateral for this obligation. Monies need to amortize this obligation is as follows:

Year Ending	Principal Due	Interest Due		
2024	2,979	4,257	Beginning Balance	107,413
2025	3,104	4,132	Principal Paid	(2,858)
2026	3,235	4,001	Ending Balance	<u>\$ 104,555</u>
2027	3,371	3,865		
2028	3,512	3,724	Interest Paid	<u>\$ 4,378</u>
2028/2033	19,906	16,274		
2033/2038	24,456	11,724		
2038/2043	30,584	5,596		
2043/2045	13,407	1,065		
Totals	<u>\$ 104,555</u>	<u>\$ 54,637</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, the required monies had not been set aside.

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

Subsequent events have been evaluated through November 24, 2023, which is the date the financial statements were issued.

## Russell & Williams CPA's, P.C.

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

2812 NW 57<sup>th</sup> Street, Suite 102  
Oklahoma City, Oklahoma 73112

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

---

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

To the Board of Trustees  
Town of Rattan, 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 Rattan, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Rattan, Oklahoma's basic financial statements and have issued our report thereon dated November 24, 2023.

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

In planning and performing our audit of the financial statements, we considered Town of Rattan, 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 Rattan, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Rattan, 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 Rattan, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-2.

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

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

*Russell + Williams CPA's, P.C.*

Oklahoma City, Oklahoma  
November 24, 2023

## **Schedule of Findings and Questioned Costs**

### **Internal Control Items**

#### **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: 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 implement a policy of not accepting cash in town hall or all cash transactions be transacted directly with the bank.

MANAGEMENT RESPONSE: Management is formulating a response.

### **Compliance Issues**

#### **2023-2 Debt Service Reserve Account (Repeat Finding)**

CONDITION: The loan documents signed with the United States Department of Agriculture require the Town to have set aside ten percent of each debt service payment into a reserve account for ten years or till a full year debt service is accumulated.

CRITERIA: The Town should adhere to the loan agreements.

CAUSE OF CONDITION: The Town has experienced cash flow problems and staff was not aware of the requirement.

EFFECT: The Town does not have the reserve funds at hand in case of an emergency.

RECOMMENDATION: The Town continue to fund the reserve account until it is fully funded.

MANAGEMENT RESPONSE: Management concurs with the recommendation.