

Town of Roff, 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 Roff, 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 Roff, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Roff'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 Roff, 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 Roff, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2024, on our consideration of the Town of Roff'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 Roff'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 Roff's internal control over financial reporting and compliance.

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

Oklahoma City, Oklahoma
January 12, 2024

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash in bank - unrestricted	178,298.29	72,967.25	251,265.54
Cash in bank - restricted	206,872.81	24,989.14	231,861.95
Total current assets	385,171.10	97,956.39	483,127.49
Noncurrent assets:			
Capital Assets	512,153.92	201,094.37	713,248.29
Total noncurrent assets	512,153.92	201,094.37	713,248.29
Total assets	\$ 897,325.02	\$ 299,050.76	\$ 1,196,375.78
Liabilities			
Current liabilities			
Meter deposits	-	19,678.92	19,678.92
Current Portion of Long-Term Debt	34,638.92	11,688.45	46,327.37
Total current liabilities	34,638.92	31,367.37	66,006.29
Noncurrent Liabilities			
Notes Payable Net of Current Portion	137,206.40	194,415.25	331,621.65
Total Liabilities	171,845.32	225,782.62	397,627.94
Net Assets			
Invested in capital assets, net of related debt	340,308.60	(5,009.33)	335,299.27
Restricted	206,872.81	5,310.22	212,183.03
Unrestricted	178,298.29	72,967.25	251,265.54
Total net assets	725,479.70	73,268.14	798,747.84
Total liabilities and net assets	\$ 897,325.02	\$ 299,050.76	\$ 1,196,375.78

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Primary Government		Total
		Charges for Services	Grants and Contributions	Governmental Activities	Business - Type Activities	
Primary government						
Governmental activities						
General government	345,587.61	-	62,854.92	(282,732.69)	-	(282,732.69)
Police Department	55,000.00	-	-	(55,000.00)	-	(55,000.00)
Fire Department	71,610.23	-	-	(71,610.23)	-	(71,610.23)
Street Department	17,278.22	-	-	(17,278.22)	-	(17,278.22)
Total governmental activities	489,476.06	-	62,854.92	(426,621.14)	-	(426,621.14)
Business-type activities						
Water Department	181,083.62	129,368.62	-	-	(51,715.00)	-
Sewer Department	155,970.77	98,577.46	-	-	(57,393.31)	-
Sanitation department	59,873.38	42,383.25	-	-	(17,490.13)	17,490.13
Total business-type activities	396,927.77	270,329.33	-	-	(126,598.44)	17,490.13
Total primary government	\$ 886,403.83	\$ 270,329.33	\$ 62,854.92	\$ (426,621.14)	\$ (126,598.44)	\$ (409,131.01)

General revenues:			
Sales and Use Taxes - Unrestricted	523,145.49	-	523,145.49
Sales and Use Taxes - Restricted	31,745.42	-	31,745.42
Other Taxes	36,913.20	-	36,913.20
Other Income	-	31,745.00	31,745.00
Transfers In (Out)	(160,483.84)	160,483.84	
Total general revenues	431,320.27	192,228.84	623,549.11
Change in net assets	4,699.13	65,630.40	70,329.53
Net assets - beginning	720,780.57	7,637.74	728,418.31
Net assets - ending	\$ 725,479.70	\$ 73,268.14	\$ 798,747.84

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

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

	General Fund
Assets	
Cash in bank - unrestricted	178,298.29
Cash in bank - restricted	206,872.81
Total assets	<u>\$ 385,171.10</u>
Fund Balances	
Unassigned	178,298.29
Restricted	206,872.81
Total Fund Balances	<u>385,171.10</u>
Total liabilities and fund balances	<u>\$ 385,171.10</u>
 <i>Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities as of June 30, 2023</i>	
Total Governmental Fund Balances	385,171.10
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
<i>Long-Term Debt is not reported in the fund financial statements</i>	(171,845.32)
<i>Capital assets used in governmentmmental activities are not financial resources and therefore are not reported in the fund financial statements.</i>	<u>512,153.92</u>
Net Assets of Governmental Activities	<u><u>\$ 725,479.70</u></u>

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

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

Revenues	General Fund
Sales taxes	326,460.98
Franchise Tax	24,602.34
Gas and motor vehicle taxes	5,228.33
Cigar and cigarette taxes	2,104.33
Alcoholic beverage taxes	7,082.53
Use Tax	226,325.60
Grants	62,854.92
Total revenues	654,659.03
Expenditures	
Capital Outlay	191,999.96
Debt Service	33,399.24
Salaries and wages	68,374.77
Maintenance and operations	301,202.72
Professional Services	67,966.69
Interest	6,936.36
Total Expenditures	669,879.74
Operating Revenues in Excess of Expenditures	(15,220.71)
Other Financing Sources (Uses)	
Transfers in (Out)	(160,483.84)
Net Change in Fund Balance	(175,704.55)
Beginning Fund Balance	583,754.62
Fund balance at end of year	\$ 408,050.07

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

Net change in Fund Balance - governmental funds	(175,704.55)
Capital Outlay is not recognized as an expenditure on the government wide statements	191,999.96
Depreciation expense is recorded in the government wide financial statements but not recorded in the fund financial statements	(44,995.52)
Debt Service is not an expenditure on the government wide statements	33,399.24
Change in Government Wide Net Assets	\$ 4,699.13

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

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

	<u>Public Works Authority</u>
Assets	
Current Assets	
Cash and Cash Equivalents (unrestricted)	72,967.25
Cash and Cash Equivalents (restricted)	<u>24,989.14</u>
Total Current Assets	<u>97,956.39</u>
Noncurrent Assets	
Capital Assets, net of Accumulated Depreciation	<u>201,094.37</u>
Total Assets	<u><u>299,050.76</u></u>
Liabilities	
Current Liabilities	
Note Payable - current portion	11,688.45
Meter Deposit Liability	19,678.92
Noncurrent Liabilities	
Note Payable, net of current portion	<u>194,415.25</u>
Total Liabilities	<u>225,782.62</u>
Net Position	
Net Investment in Capital Assets	(5,009.33)
Unrestricted	72,967.25
Restricted	<u>5,310.22</u>
Total Net Position	<u>73,268.14</u>
Liabilities and Net Position	<u><u>\$ 299,050.76</u></u>

The accompanying notes are an integral part of these financial statements

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

Operating Revenues

Charges for Services:

Sewer	98,577.46
Water	129,368.62
Sanitation	42,383.25
Other Revenues	31,745.00
Total Operating Revenues	<u>302,074.33</u>

Operating Expenses

Maintenance & Operations	94,122.80
Personal Services	240,303.05
Depreciation	15,325.71
Other Services & Charges	37,627.29
Total Operating Expenses	<u>387,378.85</u>
Operating Income (Loss)	(85,304.52)

Nonoperating Revenues (Expenses)

Interest Expense	9,548.92
Income (Loss) before transfers	(94,853.44)
Transfers In (Out)	160,483.84
Change in Net Position	65,630.40
Net Position - Beginning	7,637.74
Net Position - Ending	<u>\$ 73,268.14</u>

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

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

Cash Flows From Operating Activities

Receipts from Customers	302,074.33
Payments to Suppliers	(131,750.09)
Payments to Employees	(240,303.05)
Net Cash Provided (Used) by Operating Activities	(69,978.81)

Cash Flows from Noncapital Financing Activities

Cash Flows from Capital and Related Financing Activities

Principal Paid on Capital Debt	(11,175.08)
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Cash Flows from Investing Activities

Interest	(9,548.92)
Capital Expenditures	(31,745.00)
Total Cash Flows from Investing Activities	(41,293.92)

Cash Transfers In (Out)	100,571.35
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Net Increase (Decrease) in Cash	(21,876.46)
Beginning Balance	94,843.71
Ending Balance	\$ 72,967.25

*Reconciliation of Operating Income to Net Cash Provided
(Used) by Operating Activities*

Operating Income (Loss)	(85,304.52)
Depreciation Expense	15,325.71
Net Cash Provided (Used) by Operating Activities	\$ (69,978.81)

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

Town of Roff, 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 Roff, 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 Roff 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 grouped into two governmental fund types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2023, the Town had governmental funds consisted of the general fund. The proprietary funds consisted of the Roff 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 records the proceeds of long term debt as a revenue and the repayment of long term debt as an expenditures. Therefore, governmental fund financial statements include a 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 Roff Public Works Authority's meter deposits requirements and various construction projects.

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 Council 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

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 Roff is considered a separate entity from the Roff 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 Roff'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 Roff 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
Vehicles & Equipment	588,484.91	214,878.93	-	803,363.84
Total	588,484.91	214,878.93		803,363.84
Accumulated Depreciation	(246,214.40)	(44,995.52)	-	(291,209.92)
Net Assets	<u>\$342,270.51</u>			<u>\$ 512,153.92</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. Depreciation was allocated as follows:

Fire Department	44,995.52
Police Department	-
	<u>\$ 44,995.52</u>

Public Works Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Water & Sewer System	459,771.38	83,889.00	-	543,660.38
Total	459,771.38	83,889.00		543,660.38
Accumulated Depreciation	(327,240.30)	(15,325.71)	-	(342,566.01)
Net Assets	<u>\$ 132,531.08</u>			<u>\$ 201,094.37</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. Depreciation of \$15,325.71 was charged to the sewer department.

Note 4- Notes Payable

Beginning October 2, 1997, the Roff Public Works Authority had a note payable outstanding to the United States Department of Agriculture, set to mature in 2037. The note was for the renovation of the Authority's waste water treatment facility. The amount financed was

\$380,200. The balance as of June 30, 2023 was \$206,103.70 and carries an interest rate of 4.5% with monthly payments of \$1,727. Collateral for this obligation is the renovated facility and resulting revenues. This obligation is considered to be a direct borrowing.

Principal and interest required to amortize this obligation to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2024	11,688	9,036
2025	12,225	8,499
2026	12,787	7,937
2027	13,374	7,350
2028	13,989	6,735
2029-2033	80,195	23,425
2034-2037	61,844	4,688
	<u>\$ 206,103.70</u>	<u>\$ 67,668.17</u>

Principal and interest paid on this obligation for the year ending June 30, 2023 was as follows:

Beginning Balance	217,278.78
Principal Paid	<u>(11,175.08)</u>
Ending Balance	<u><u>\$ 206,103.70</u></u>
Interest Paid	<u><u>\$ 9,548.92</u></u>

The Town was issued another Note Payable for purchase of a fire truck on 8/25/19. The amount financed was \$308,180. The balance as of June 30, 2023 was \$171,845.32, and the note carries an interest rate of 3.65% with monthly payments of \$3,361. This obligation is considered to be a direct borrowing.

Principal and interest required to amortize this obligation to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2024	34,638.92	5,696.68
2025	35,924.61	4,410.99
2026	37,258.01	3,077.59
2027	38,640.89	1,694.71
2028	25,382.89	329.62
	<u>\$ 171,845.32</u>	<u>\$ 15,209.59</u>

Principal and interest paid on this obligation for the year ending June 30, 2023 was as follows:

Beginning Balance	205,244.56
Principal Paid	33,399.24
Ending Balance	<u>\$ 171,845.32</u>
Interest Paid	<u>\$ 6,936.36</u>

Note 5-Subsequent Events

Subsequent events have been evaluated through January 12, 2024, which is the date the financial statements were issued.

Note 6-Risk Management

The Town is exposed to various risks and loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. Commercial insurance is used to cover general liability claims, worker, compensation and the risk of loss to Town buildings and mobile equipment. Judgment against the Town may be paid by a property tax assessment over a three-year period.

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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
Roff, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Roff, Oklahoma as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Roff, Oklahoma's basic financial statements and have issued our report thereon dated January 12, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Roff, 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 the Town of Roff, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Roff, 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. Items 2023-1, 2023-2, 2023-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Roff, 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 items. Items 2023-1 through 2023-3

Town of Roff, Oklahoma's Response to Findings

Town of Roff, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Roff, 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 12, 2024

Schedule of Findings and Questioned Costs

2023-1 Fund Accounting – Repeat Finding

CONDITION: During our audit we discovered that the Town is not maintaining separate funds in its accounting system for the Town and Public Works Authority.

CRITERIA: Sound accounting policies dictate that Governmental and Enterprise funds be segregated.

CAUSE OF CONDITION: Unknown.

EFFECT OF CONDITION: The entity's accounting records were often unclear as to which expenses pertained to which fund. This makes tracking transfers between funds difficult, and it can result in lack of clarity when analyzing whether (and to what extent) one fund is supporting the other.

RECOMMENDATION: The entity should keep its accounting records so that revenues, expenditures, assets, liabilities, and fund balances are discretely reported for the General Fund and PWA.

MANAGEMENT RESPONSE: Management will consider the recommendation.

2023-2 Lack of Segregation of Duties- Repeat Finding

CONDITION: Currently, the Utility Billings Clerk and the Court Clerk are the same person. They not only input the monthly readings into the utility software and ticket system but also collect the payments that come into the office. They also have the ability to make adjustments to any account. This individual also prepares the deposit slips to be taken to the bank.

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 susceptible to having errors or fraud occur with regard to utility billings and ticket fine collections.

RECOMMENDATION: The Town should separate the billing function, collection function and the recording of payments received. The alternative would be for management to establish a system of oversight where daily collections are reconciled to funds recorded as received in the software. Another alternative would be for the town to institute a policy of not accepting cash at town hall. This alternative would significantly reduce the likely of fraud or error from occurring.

MANAGEMENT RESPONSE: Management will consider the recommendation.

2023-3 Cash Collections

CONDITION: Currently the Town and PWA accept cash payments for services and other purposes.

EFFECT OF CONDITION: The Town and PWA are susceptible to fraud from the inherent risks associated with cash collections.

RECOMMENDATION: In light of recent findings by the Oklahoma State Auditor & Inspector of fraudulent defalcation in other comparable municipalities, we strongly recommend the Town and PWA cease accepting cash payments. Additionally, we recommend the Town and PWA consider refraining from accepting checks for payment to reduce the risk of fraud and/or error.