

**Town of Achille, Oklahoma**  
**Financial Statements and Report**  
**of Independent Accountants**  
**As of and For the Year Ending**  
**June 30, 2010**

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## Independent Auditor's Report

To the Board of Trustees  
Town of Achille, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Achille, Oklahoma as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 3 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Achille, as of June 30, 2010, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Achille, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2012 on our consideration of the Town'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has elected to not present a management, discussion, and analysis, a budget to actual comparison and employee pension and retirement plan information as is required by generally accepted accounting principles in the United States of America.

*Casey J. Russell CPA, Inc.*

June 28, 2012

**Town of Achille**  
**Statement of Net Assets**  
**As of June 30, 2010**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash in bank	\$ 41,005.40	\$ 2,680.25	\$ 43,685.65
Restricted Cash	9,667.83	32,582.87	42,250.70
<b>Total Current Assets</b>	<u>50,673.23</u>	<u>35,263.12</u>	<u>85,936.35</u>
Noncurrent Assets:			
Net Capital Assets	130,915.00	109,388.32	240,303.32
Net Property and Equipment	130,915.00	109,388.32	240,303.32
<b>TOTAL ASSETS</b>	<u>\$ 181,588.23</u>	<u>\$ 144,651.44</u>	<u>\$ 326,239.67</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 33,165.78	\$ 23,821.76	\$ 56,987.54
Accrued Wages and Benefits	38,256.59	-	38,256.59
<b>Total Current Liabilities</b>	<u>71,422.37</u>	<u>23,821.76</u>	<u>95,244.13</u>
Noncurrent Liabilities:			
Notes Payable	112,068.94	22,936.37	135,005.31
<b>Total Long-Term Liabilities</b>	<u>112,068.94</u>	<u>22,936.37</u>	<u>135,005.31</u>
<b>Total Liabilities</b>	<u>\$ 183,491.31</u>	<u>\$ 46,758.13</u>	<u>\$ 230,249.44</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	\$ 18,846.06	\$ 86,451.95	\$ 105,298.01
Net Assets - Unrestricted	(20,749.14)	11,441.36	(9,307.78)
<b>Total Net Assets</b>	<u>(1,903.08)</u>	<u>97,893.31</u>	<u>95,990.23</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 181,588.23</u>	<u>\$ 144,651.44</u>	<u>\$ 326,239.67</u>

**Town of Achille**  
**Statement of Activities**  
**For the Year Ending June 30, 2010**

Functions/Programs	Program Revenues		Net (expense) revenue and Changes in net assets		Total	
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities		Business-Type Activities
<b>Primary Government</b>						
<b>Governmental Activities</b>						
General Government	118,809.99	28,546.03	-	(90,263.96)	(90,263.96)	
Police Department	184,094.46	159,202.90	-	(24,891.56)	(24,891.56)	
Fire Department	10,618.74	10,315.89	-	(302.85)	(302.85)	
Cemetary Department	7,772.93	5,519.38	-	(2,253.55)	(2,253.55)	
Street and Alley	4,365.45	1,988.54	-	(2,376.91)	(2,376.91)	
<b>Total Governmental Activities</b>	<u>325,661.57</u>	<u>205,572.74</u>	<u>-</u>	<u>(120,088.83)</u>	<u>(120,088.83)</u>	
<b>Business-Type Activities</b>						
Water Department	82,103.22	62,026.70	-	(20,076.52)	(20,076.52)	
Sewer Department	22,490.31	23,054.23	-	563.92	563.92	
Garbage Department	38,820.91	31,123.21	-	(7,697.70)	(7,697.70)	
<b>Total Business-Type Activities</b>	<u>143,414.44</u>	<u>116,204.14</u>	<u>-</u>	<u>(27,210.30)</u>	<u>(27,210.30)</u>	
<b>Total Primary Government</b>	<u>\$ 469,076.01</u>	<u>\$ 321,776.88</u>	<u>\$ -</u>	<u>\$ (120,088.83)</u>	<u>\$ (147,299.13)</u>	
		<b>General Revenues</b>				
		Sales Taxes		36,844.54	36,844.54	
		Other Taxes		10,645.91	10,645.91	
		Transfers In/Out		237.78	(237.78)	
		Interest Income		142.91	129.76	
		<b>Total General Government Revenue</b>		<u>47,871.14</u>	<u>(108.02)</u>	
		<b>Change in Net Assets</b>		<u>(72,217.69)</u>	<u>(27,318.32)</u>	
		<b>Net Assets Beginning</b>		<u>70,314.61</u>	<u>125,211.63</u>	
		<b>Net Assets Ending</b>		<u>\$ (1,903.08)</u>	<u>\$ 97,893.31</u>	

The accompanying notes are an integral part of these financial statements

**Town of Achille  
Balance Sheet  
Governmental Funds  
June 30, 2010**

	General Fund	Special Revenue Fund	Total Governmental Fund
<b>ASSETS</b>			
Cash in Bank - Unrestricted	\$ 31,046.70	\$ 9,958.70	\$ 41,005.40
Restricted Cash	-	9,667.83	9,667.83
<b>Total Assets</b>	<b>\$ 31,046.70</b>	<b>\$ 19,626.53</b>	<b>\$ 50,673.23</b>
 <b>LIABILITIES</b>			
Accounts Payable	\$ 71,422.37	\$ -	\$ 71,422.37
<b>Total Liabilities</b>	71,422.37	-	71,422.37
 <b>NET ASSETS</b>			
Unrestricted	\$ (40,375.67)	\$ -	\$ (40,375.67)
Assigned	-	19,626.53	19,626.53
<b>TOTAL NET ASSETS</b>	<b>(40,375.67)</b>	<b>19,626.53</b>	<b>(20,749.14)</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 31,046.70</b>	 <b>\$ 19,626.53</b>	 <b>\$ 50,673.23</b>

***Reconciliation of Total Governmental Fund Balance to  
Net Assets of Governmental Activities - June 30, 2010***

Total Governmental Fund Balances	\$ (20,749.14)
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(112,068.94)
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	130,915.00
Net Assets of Governmental Activities	<b>\$ (1,903.08)</b>

**Town of Achille**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ending June 30, 2010**

	General Fund	Special Revenue Fund	Total Governmental Fund
<b>Revenues</b>			
Taxes	\$ 47,150.19	\$ 340.26	\$ 47,490.45
Charges for Services	10,315.89	5,519.38	15,835.27
Fines	159,202.90	-	159,202.90
Interest	38.81	104.10	142.91
Other Revenues	28,546.03	1,988.54	30,534.57
<b>Total Revenues</b>	<b>245,253.82</b>	<b>7,952.28</b>	<b>253,206.10</b>
<b>Expenditures</b>			
Current Operations:			
General Government	130,809.99	-	130,809.99
Police Department	194,214.91	-	194,214.91
Fire Department	10,618.74	-	10,618.74
Cemetery Department	-	7,772.93	7,772.93
Street Department	-	4,365.45	4,365.45
<b>Total Expenses</b>	<b>335,643.64</b>	<b>12,138.38</b>	<b>347,782.02</b>
<b>Excess Revenues over (under) expenditures</b>	<b>(90,389.82)</b>	<b>(4,186.10)</b>	<b>(94,575.92)</b>
<b>Transfers in/out</b>	(3,820.85)	4,058.63	237.78
<b>Excess Revenues over (under) expenditures</b>	(94,210.67)	(127.47)	(94,338.14)
<b>Fund Balances at beginning of year</b>	<b>53,835.00</b>	<b>19,754.00</b>	<b>73,589.00</b>
<b>Fund Balances at ending of year</b>	<b>\$ (40,375.67)</b>	<b>\$ 19,626.53</b>	<b>\$ (20,749.14)</b>

*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the Year Ending June 30, 2010*

Net Change in fund balances-total governmental funds	(94,338.14)
Depreciation charged to governmental wide financial statements not recorded in the fund financial statements	-
Funds borrowed that were recorded as an expense in the fund financial statements but recorded as a long term liability in the government wide financial statements	-
Principal paid on long term debt recorded as an expense in the fund financial statements but as a reduction of debt in the the government wide financial statements	22,120.45
Capital expenditures records as reductions in net assets in the fund financial statements but capitalized as fixed assets in the governmental financial statements	-
Change in Net Assets of governmental activities	<b>\$ (72,217.69)</b>

**Town of Achille  
Statement of Net Assets  
Proprietary Fund  
June 30, 2010**

	<b>Public Works Authority</b>
<b>ASSETS</b>	
Current Assets:	
Cash in Bank	\$ 2,680.25
Cash in Bank - Restricted	32,582.87
Total Current Assets	35,263.12
Net Capital Assets	109,388.32
Total Noncurrent Assets	109,388.32
<b>TOTAL ASSETS</b>	<b>\$ 144,651.44</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 23,821.76
Total Current Liabilities	23,821.76
Noncurrent Liabilities	
Bonds and Notes	22,936.37
Total Noncurrent Liabilities	22,936.37
<b>TOTAL LIABILITIES</b>	<b>\$ 46,758.13</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	86,451.95
Unrestricted	11,441.36
<b>TOTAL NET ASSETS</b>	<b>97,893.31</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 144,651.44</b>



**Town of Achille**  
**Statement of Revenues Over Expenditures and Changes in Retained Earnings**  
**Proprietary Funds**  
**For the Year Ending June 30, 2010**

	<b>Public Works Authority</b>
<b>Operating Revenues:</b>	
Water Sales	\$ 59,940.99
Sewer Fees	23,054.23
Garbage Fees	31,123.21
Miscellaneous	2,085.71
<b>Total Operating Revenues</b>	<b>116,204.14</b>
 <b>Operating Expenses:</b>	
Water Department	82,103.22
Sewer Department	22,490.31
Garbage Department	38,820.91
<b>Total Operating Expenses</b>	<b>143,414.44</b>
<b>Operating Income (Loss)</b>	<b>\$ (27,210.30)</b>
 <b>Non-operating revenues (expenses)</b>	
Transfers In/Out	(237.78)
Interest Income	129.76
<b>Net non-operating revenues (expenses)</b>	<b>(108.02)</b>
<b>Net Income (Loss)</b>	<b>\$ (27,318.32)</b>
<b>Retained Earnings, Beginning of Year</b>	<b>125,211.63</b>
<b>Retained Earnings, End of Year</b>	<b>\$ 97,893.31</b>

**Town of Achille  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ending June 30, 2010**

	<b>Public Works Authority</b>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 116,333.90
Payments to suppliers	(42,699.51)
Payments to employees	<u>(71,869.23)</u>
<b>Net cash provided by operating activities</b>	<u>1,765.16</u>
 <b>Cash flows from capital and related financing activities</b>	
Principal paid on long term debt	<u>(5,261.72)</u>
<b>Net cash flows from capital and related financing activities</b>	<u>(5,261.72)</u>
 <b>Cash flows from investing activities</b>	
Fixed Asset Purchases during year	<u>(9,388.32)</u>
<b>Net cash flows from investing activities</b>	<u>(9,388.32)</u>
 <b>Net increase (decrease) in cash</b>	 (12,884.88)
 Cash, Beginning of the Year	 <u>48,148.00</u>
<b>Cash, End of the Year</b>	<b><u>\$ 35,263.12</u></b>
 <i>Reconciliation of change in net assets to net cash provided by operations:</i>	
Change in Net Assets	(27,318.32)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in assets and liabilities:	
Accounts payable	<u>29,083.48</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 1,765.16</u></b>

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

Financial Reporting Entity

The Town of Achille, Oklahoma is a statutory Town Government under Oklahoma Statutes. The Town provides the following services: Utility safety, streets and highways, sanitation, Utility improvements, utilities and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2010, the Town had only one component unit, the Achille Public Utility 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, 2010, the Town had governmental funds of general fund, cemetery care, fixed asset and long term debt. The proprietary funds consisted of the Achille Public Utility 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 economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. 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 which are 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. Nonmajor funds are aggregated and presented in a single column.

## GOVERNMENTAL FUNDS

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

### Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursement due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. Other revenues, including licenses and permits, certain charges for services and miscellaneous income are recorded as revenue when received in cash because they are generally not measurable until actually received.

### Expenditure Recognition

The measurement focus of governmental fund accounting is on decrease in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

## PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation of costs, such as depreciation, are recorded in 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 meter deposits.

### 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, 2010.

### Budget

In accordance with Oklahoma Statutes, Title 68, 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 Code.

**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.

**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 Achille is considered a separate entity from the Achille Public Utility 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 Achille'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 Achille Public Utility Authority. The remaining funds would be categorized as category 3.

**Note 3-Capital Assets and Depreciation**

The Town has not maintained adequate records of fixed assets during the years. Because of this only assets that were ascertained during the current year were recorded as capital assets. However, no depreciation was expensed. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

**Note 4-Notes and Leases Payable**

**Achille Public Utility Authority**

A note payable to First State Bank Livingston carries an interest rate of 8.99%. These monies were used for the purchase of a jetting machine. Collateral for this loan is the jetting machine. The balance of this note as of June 30, 2010 was \$4,170 and matures in April 2011. The Town paid \$4,539 in principal and \$595 in interest on this obligation for the year ending June 30, 2010. Payments on this note are \$429 per month.

	<u>Principal</u>	<u>Interest</u>			
2010/2011	4,130	172	Balance, Beginning of year	\$	8,669
Total	<u>\$ 4,130</u>	<u>\$ 172</u>	Principal Paid during year		<u>4,539</u>
			Balance, End of Year	\$	<u>4,130</u>

A note payable to Berkadia carries an interest rate of 5%. These monies were used for infrastructure construction. Collateral for this loan is the treatment plant. The balance of this note as of June 30, 2010 was \$18,806 and matures in September 2014. The Town paid \$-0- in principal and \$-0- in interest on this obligation for the year ending June 30, 2010. Payments on this note are \$5,876 per year. Principal and interest payments are as follows:

	Principal	Interest		
2010/2011	4,835	1,042	Balance, Beginning of year	\$ 18,807
2011/2012	5,076	800	Principal Paid during year	-
2012/2013	5,330	546	Balance, End of Year	\$ 18,807
2013/2014	3,566	280		
Total	\$ 18,807	\$ 2,668		

#### Town of Achille

A lease payable to Vision Bank carries an interest rate of 15.629%. These monies were used to purchase a zero turn radius mower. Collateral for this loan is the mower. The balance of this note as of June 30, 2010 was \$6,449 and matures in September 2012. The Town paid \$1,466 in principal and \$757 in interest on this obligation for the year ending June 30, 2010. Payments on this note are \$285 per month.

	Principal	Interest		
2010/2011	2,602	818	Balance, Beginning of year	\$ 7,915
2011/2012	3,039	381	Principal Paid during year	1,466
2012/2013	808	19	Balance, End of Year	\$ 6,449
Total	\$ 6,449	\$ 1,218		

A lease payable to Kansas State Bank carries an interest rate of 4.515%. These monies were used to purchase a police car. Collateral for this loan is the car. The balance of this note as of June 30, 2010 was \$17,620 and matures in September 2012. The Town paid \$5,380 in principal and \$779 in interest on this obligation for the year ending June 30, 2010. Payments on this note are \$684 per month.

	Principal	Interest		
2010/2011	7,576	636	Balance, Beginning of year	\$ 23,000
2011/2012	7,925	287	Principal Paid during year	5,380
2012/2013	2,119	15	Balance, End of Year	\$ 17,620
Total	\$ 17,620	\$ 939		

A lease payable to Celestia Taylor carries an interest rate of 0%. These monies were used to purchase city hall. Collateral for this loan is the lease. The balance of this note as of June 30, 2010 was \$88,000 and matures in October 2017. The Town paid \$12,000 in principal and \$0 in interest on this obligation for the year ending June 30, 2010. Payments on this note are \$1,000 per month. Principal and interest are as follows:

	Principal	Interest		
2010/2011	12,000	-	Balance, Beginning of year	\$ 100,000
2011/2012	12,000	-	Principal Paid during year	<u>12,000</u>
2012/2013	12,000	-	Balance, End of Year	<u><u>\$ 88,000</u></u>
2013/2014	12,000	-		
2014/2015	12,000	-		
2015/2016	12,000	-		
2016/2017	12,000	-		
2017/2018	4,000	-		
Total	<u>\$ 88,000</u>	<u>\$ -</u>		

**Note 6 – Subsequent Events**

Subsequent events have been evaluated through June 28, 2012, which is the date the financial statements were issued.

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### 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 Town Council  
Town of Achille, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Achille, Oklahoma as of and for the year ended June 30, 2010, and have issued our report thereon dated June 28, 2012. 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.

#### Internal Control Over Financial Reporting

Management of Town of Achille is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Achille's internal control over financial reporting as a basis for designing our auditing procedures 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 Achille's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Achille's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2010-2 & 2010-4

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. 2010-1 & 2010-3

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 result of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it

This report is intended for the information and use of the Town Council and management of the Town and is not intended to be and should not be used by anyone other than these parties.

*Casey J. Russell CPA, etc.*

June 28, 2012

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

### **2010 - 1 Capital asset records**

**Condition:** A physical inventory of the general capital assets and the proprietary fund property and equipment has not been completed in several years. Also, detailed subsidiary records of property and equipment have also not been maintained.

**Criteria:** Effective control over assets is based on having detailed accounting records of capital assets owned which reconciles with the general ledger control accounts. Additionally, an inventory of the capital assets on hand should be performed periodically and reconciled with the detailed capital asset records to determine if the assets recorded exist and whether all assets owned are recorded.

**Cause and effect:** Accurate detailed subsidiary records of capital assets are a key component in the control of the assets to ensure they are properly recorded for financial reporting purposes. Additionally, accurate records provide better control over and help safeguard the property and equipment owned by the Town of Achille.

**Recommendation:** The physical inventory of property and equipment should be used to compile a detailed listing of capital assets owned by the Town. The cost and date of acquisition/construction should be determined for each individual asset and recorded in detailed capital asset subsidiary records. Control account balances should be recorded in the general ledger for these capital assets. Depreciation should be calculated on the capital assets, and the detail listing should be updated each year as assets are acquired and disposed.

**Management's Response:** A depreciation schedule will be set up as soon as possible.

### **2010 - 2 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. However, we noted that certain bank accounts required only one signature.

**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 and effect:** The cause is due to limited personnel and the full effect is unknown.

**Recommendation:** The town should implement a policy of not accepting cash payments at city hall. The town should also implement more internal controls by having more separation of duties. This could be done by having the personnel write receipts for all payments made regardless of type and then recording these payments on a daily payment ledger. All payments, receipts, and a copy of the daily receipt ledger should be given directly to the Treasurer at the end of the day. The town clerk or other personnel, except for the Treasurer, should then take the original daily payment ledger to record the payments in the system. Once all payments have been recorded in the system, the town clerk or other personnel should print off a payment listing from the system as well as a daily adjustment history to insure that no unnecessary adjustments have been made, the town clerk or other personnel should also prepare the deposit slip at this time and retain the carbon copy. These reports along with the original daily payment ledger and original of the deposit slip should be given to the Treasurer who should then compare the total payments and receipts written to the daily payment ledger, daily payment listing from system, and daily adjustment history. The Treasurer should then staple all documents together and give these back to the town clerk or other personnel. When the Treasurer returns from the bank she should give the bank deposit receipt to the town clerk or other personnel who should compare the receipt to the previous documents given to her by the Treasurer and also compare the carbon copy of the deposit slip

to the bank deposit receipt. The town clerk or other personnel should then staple everything together and maintain for the audit files.

Management's Response: In many cases due to our limited resources, controls will be limited. However, the town will consider incorporating these recommendations.

### **2010 - 3 Meter Deposit Liability**

Condition: The meter deposit listing has not been maintained adequately. The listing does not properly reflect the deposits that have been refunded or forfeited.

Criteria: All municipalities are required by law to maintain an adequate and complete meter deposit listing. As part of the requirement, a separate bank account must be maintained solely to cover the meter deposits on hand.

Cause and effect: Because the deposits that have been refunded or forfeited have not been properly reflected on the meter deposit list the liability shown on the financial statements is in excess of the restricted cash on hand to cover all meter deposits which is in violation of state statute.

Recommendation: Examine meter deposit listing and adjust all accounts that have been refunded in full.

Management's Response: The Town will address this issue as soon as possible.

### **2010 - 4 Police Tickets**

Condition: During our review of the internal control structure, we noted that there was not proper record keeping of police tickets and fines. We understand that due to the size of the town and number of personnel, many aspects related to segregation of duties cannot be implemented. However, a proper record of all tickets written should be kept as well as a record of when fines are paid.

Criteria: All tickets and fines written and paid should be accounted for through proper recorded keeping.

Cause and effect: Because there was no records for the tickets issued and fines paid during the year an analytical review of police fines could not be performed. Without proper records it is hard to determine whether all monies received are actually being deposited into the proper accounts. The acceptance of cash payments makes this issue an even bigger problem.

Recommendation: Implement a record keeping process either on excel or through a court software system to keep track of all tickets issued, fines paid, and tickets outstanding.

Management's Response: The Town will address this issue as soon as possible.