

Town of Arcadia
Arcadia, Oklahoma

Financial Statements
(Prepared on the Modified Cash Basis)

June 30, 2011, 2010, 2009, and 2008
(With Independent Auditors' Report Thereon)



**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Town of Arcadia
Arcadia, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Town of Arcadia (the "Town") as of and for the years ended June 30, 2011, 2010, 2009, and 2008, 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 opinions on these financial statements based on our audits.

We conducted our audits 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 opinions.

As discussed in Note 1, the Town prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

Management has not included the Arcadia Public Works Authority (APWA) in the Town's financial statements, as its financial statements were prepared on another basis of accounting. APWA is the Town's only business-type activity. Accounting principles generally accepted in the United States require the APWA to be presented as a major enterprise fund and financial information about the APWA to be part of the business-type activities.

In our opinion, because of the omission of the APWA, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States, the financial position of the business-type activities of the Town and APWA fund of the Town, as of June 30, 2011, 2010, 2009, and 2008, or the changes in financial position or cash flows thereof for the years then ended.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

In addition, in our opinion, except for the effects of not including the APWA as part of the business-type activities, as described above, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities and each major fund, other than the APWA fund, of the Town as of June 30, 2011, 2010, 2009, and 2008, and the respective changes in financial position—modified cash basis where applicable, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2014, 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, 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* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
July 31, 2014

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

STATEMENTS OF NET ASSETS—MODIFIED CASH BASIS

June 30, 2011, 2010, 2009, and 2008

	Governmental Activities			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets				
Cash and cash equivalents	\$ 17,637	70,351	163,312	49,134
Due from Arcadia Public Works Authority	1,000	-	-	-
Note receivable	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 93,637</u>	<u>145,351</u>	<u>163,312</u>	<u>49,134</u>
Liabilities and Net Assets				
Due to other funds	\$ -	-	-	-
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets:				
Restricted for:				
Cleet	936	312	157	72
Street and alley	6,384	6,187	3,962	1,562
Unrestricted	<u>86,317</u>	<u>138,852</u>	<u>159,193</u>	<u>47,500</u>
Total net assets	<u>93,637</u>	<u>145,351</u>	<u>163,312</u>	<u>49,134</u>
Total liabilities and net assets	<u>\$ 93,637</u>	<u>145,351</u>	<u>163,312</u>	<u>49,134</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

STATEMENTS OF ACTIVITIES—MODIFIED CASH BASIS

Year Ended June 30, 2011

		<u>PROGRAM REVENUE</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Governmental activities:				
General government	\$ (242,404)	2,506	-	(239,898)
Public safety	(54,809)	-	25,453	(29,356)
Community development	(17,949)	4,566	-	(13,383)
Street and alley	<u>(2,205)</u>	<u>-</u>	<u>-</u>	<u>(2,205)</u>
Total governmental activities	<u>\$ (317,367)</u>	<u>7,072</u>	<u>25,453</u>	<u>(284,842)</u>
General revenues:				
Taxes:				
Sales and use taxes				252,457
Fines and forfeitures				64,108
Miscellaneous				5,283
Transfers to Arcadia Public				
Works Authority				<u>(88,720)</u>
Total general revenues				<u>233,128</u>
Change in net assets				(51,714)
Net assets, beginning of year				<u>145,351</u>
Net assets, end of year				<u>\$ 93,637</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

STATEMENTS OF ACTIVITIES—MODIFIED CASH BASIS, CONTINUED

Year Ended June 30, 2010

		<u>PROGRAM REVENUE</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Governmental activities:				
General government	\$ (352,141)	2,569	-	(349,572)
Public safety	(42,277)	-	5,100	(37,177)
Community development	(31,393)	4,502	-	(26,891)
Street and alley	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ (425,811)</u>	<u>7,071</u>	<u>5,100</u>	<u>(413,640)</u>
General revenues:				
Taxes:				
Sales and use taxes				351,284
Fines and forfeitures				86,082
Miscellaneous				12,573
Transfers to Arcadia Public Works Authority				<u>(54,260)</u>
Total general revenues				<u>395,679</u>
Change in net assets				(17,961)
Net assets, beginning of year				<u>163,312</u>
Net assets, end of year				<u>\$ 145,351</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

STATEMENTS OF ACTIVITIES—MODIFIED CASH BASIS, CONTINUED

Year Ended June 30, 2009

		<u>PROGRAM REVENUE</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Governmental activities:				
General government	\$ (302,788)	3,442	-	(299,346)
Public safety	(28,517)	-	55,100	26,583
Community development	(11,688)	6,525	-	(5,163)
Street and alley	(101)	-	-	(101)
	<u>(343,094)</u>	<u>9,967</u>	<u>55,100</u>	<u>(278,027)</u>
Total governmental activities	<u>\$ (343,094)</u>	<u>9,967</u>	<u>55,100</u>	<u>(278,027)</u>
General revenues:				
Taxes:				
Sales and use taxes				347,124
Fines and forfeitures				58,020
Miscellaneous				17,061
Transfers to Arcadia Public				
Works Authority				(30,000)
Total general revenues				<u>392,205</u>
Change in net assets				114,178
Net assets, beginning of year				<u>49,134</u>
Net assets, end of year				<u>\$ 163,312</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

STATEMENTS OF ACTIVITIES—MODIFIED CASH BASIS, CONTINUED

Year Ended June 30, 2008

		<u>PROGRAM REVENUE</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Governmental activities:				
General government	\$ (228,793)	10,838	-	(217,955)
Public safety	(35,117)	-	5,100	(30,017)
Community development	(4,887)	3,888	-	(999)
Street and alley	<u>(1,628)</u>	<u>-</u>	<u>-</u>	<u>(1,628)</u>
Total governmental activities	<u>\$ (270,425)</u>	<u>14,726</u>	<u>5,100</u>	<u>(250,599)</u>
General revenues:				
Taxes:				
Sales and use taxes				227,565
Fines and forfeitures				65,761
Miscellaneous				5,321
Transfers to Arcadia Public Works Authority				<u>(12,000)</u>
Total general revenues				<u>286,647</u>
Change in net assets				36,048
Net assets, beginning of year				<u>13,086</u>
Net assets, end of year				<u>\$ 49,134</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

BALANCE SHEETS—GOVERNMENTAL FUNDS—MODIFIED CASH BASIS

June 30, 2011

	<u>General Fund</u>	<u>Street and Alley</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 11,253	6,384	17,637
Due from other funds	1,000	-	1,000
Note receivable	75,000	-	75,000
Total assets	<u>\$ 87,253</u>	<u>6,384</u>	<u>93,637</u>
Liabilities and Fund Balances			
Due to other funds	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Restricted for:			
Cleet	936	-	936
Street and alley	-	6,384	6,384
Unassigned	86,317	-	86,317
Total fund balances	<u>87,253</u>	<u>6,384</u>	<u>93,637</u>
Total liabilities and fund balances	<u>\$ 87,253</u>	<u>6,384</u>	<u>93,637</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**BALANCE SHEETS—GOVERNMENTAL FUNDS—MODIFIED CASH BASIS,
CONTINUED**

June 30, 2010

	General Fund	Street and Alley	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 64,164	6,187	70,351
Note receivable	75,000	-	75,000
Total assets	<u>\$ 139,164</u>	<u>6,187</u>	<u>145,351</u>
Liabilities and Fund Balances			
Due to other funds	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Restricted for:			
Cleet	312	-	312
Street and alley	-	6,187	6,187
Unassigned	138,852	-	138,852
Total fund balances	<u>139,164</u>	<u>6,187</u>	<u>145,351</u>
Total liabilities and fund balances	<u>\$ 139,164</u>	<u>6,187</u>	<u>145,351</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**BALANCE SHEETS—GOVERNMENTAL FUNDS—MODIFIED CASH BASIS,
CONTINUED**

June 30, 2009

	General Fund	Street and Alley	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 159,350	3,962	163,312
Due from other funds	-	-	-
Total assets	<u>\$ 159,350</u>	<u>3,962</u>	<u>163,312</u>
Liabilities and Fund Balances			
Due to other funds	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Restricted for:			
Cleet	157	-	157
Street and alley	-	3,962	3,962
Unassigned	<u>159,193</u>	<u>-</u>	<u>159,193</u>
Total fund balances	<u>159,350</u>	<u>3,962</u>	<u>163,312</u>
Total liabilities and fund balances	<u>\$ 159,350</u>	<u>3,962</u>	<u>163,312</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**BALANCE SHEETS—GOVERNMENTAL FUNDS—MODIFIED CASH BASIS,
CONTINUED**

June 30, 2008

	General Fund	Street and Alley	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 47,572	1,562	49,134
Due from other funds	-	-	-
Total assets	<u>\$ 47,572</u>	<u>1,562</u>	<u>49,134</u>
Liabilities and Fund Balances			
Due to other funds	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Restricted for:			
Cleet	72	-	72
Street and alley	-	1,562	1,562
Unassigned	47,500	-	47,500
Total fund balances	<u>47,572</u>	<u>1,562</u>	<u>49,134</u>
Total liabilities and fund balances	<u>\$ 47,572</u>	<u>1,562</u>	<u>49,134</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—
GOVERNMENTAL FUNDS—MODIFIED CASH BASIS**

Year Ended June 30, 2011

	General Fund	Street and Alley	Total Governmental Funds
Revenues:			
Taxes	\$ 250,066	2,391	252,457
Intergovernmental	25,453	-	25,453
Charges for services	4,566	-	4,566
Fines and forfeitures	64,108	-	64,108
Licenses and permits	2,506	-	2,506
Miscellaneous	5,273	11	5,284
Total revenues	<u>351,972</u>	<u>2,402</u>	<u>354,374</u>
Expenditures:			
Current:			
General government	239,820	2,205	242,025
Public safety	54,810	-	54,810
Community development	17,949	-	17,949
Capital outlay	2,584	-	2,584
Total expenditures	<u>315,163</u>	<u>2,205</u>	<u>317,368</u>
Excess of revenues over expenditures	<u>36,809</u>	<u>197</u>	<u>37,006</u>
Other financing sources (uses):			
Transfers out	(88,720)	-	(88,720)
Total other financing sources (uses)	<u>(88,720)</u>	<u>-</u>	<u>(88,720)</u>
Net changes in fund balances	(51,911)	197	(51,714)
Fund balances, beginning of year	<u>139,164</u>	<u>6,187</u>	<u>145,351</u>
Fund balances, end of year	<u>\$ 87,253</u>	<u>6,384</u>	<u>93,637</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—
GOVERNMENTAL FUNDS—MODIFIED CASH BASIS, CONTINUED**

Year Ended June 30, 2010

	General Fund	Street and Alley	Total Governmental Funds
Revenues:			
Taxes	\$ 349,066	2,218	351,284
Intergovernmental	5,100	-	5,100
Charges for services	4,502	-	4,502
Fines and forfeitures	86,082	-	86,082
Licenses and permits	2,568	-	2,568
Miscellaneous	12,566	7	12,573
Total revenues	<u>459,884</u>	<u>2,225</u>	<u>462,109</u>
Expenditures:			
Current:			
General government	267,434	-	267,434
Public safety	42,276	-	42,276
Community development	31,393	-	31,393
Capital outlay	84,707	-	84,707
Total expenditures	<u>425,810</u>	<u>-</u>	<u>425,810</u>
Excess of revenues over expenditures	<u>34,074</u>	<u>2,225</u>	<u>36,299</u>
Other financing sources (uses):			
Transfers out	<u>(54,260)</u>	<u>-</u>	<u>(54,260)</u>
Total other financing sources (uses)	<u>(54,260)</u>	<u>-</u>	<u>(54,260)</u>
Net changes in fund balances	(20,186)	2,225	(17,961)
Fund balances, beginning of year	<u>159,350</u>	<u>3,962</u>	<u>163,312</u>
Fund balances, end of year	<u>\$ 139,164</u>	<u>6,187</u>	<u>145,351</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—
GOVERNMENTAL FUNDS—MODIFIED CASH BASIS, CONTINUED**

Year Ended June 30, 2009

	General Fund	Street and Alley	Total Governmental Funds
Revenues:			
Taxes	\$ 344,633	2,490	347,123
Intergovernmental	55,100	-	55,100
Charges for services	6,525	-	6,525
Fines and forfeitures	58,020	-	58,020
Licenses and permits	3,442	-	3,442
Miscellaneous	17,051	11	17,062
Total revenues	<u>484,771</u>	<u>2,501</u>	<u>487,272</u>
Expenditures:			
Current:			
General government	227,715	101	227,816
Public safety	28,517	-	28,517
Community development	11,687	-	11,687
Capital outlay	75,074	-	75,074
Total expenditures	<u>342,993</u>	<u>101</u>	<u>343,094</u>
Excess of revenues over expenditures	<u>141,778</u>	<u>2,400</u>	<u>144,178</u>
Other financing sources (uses):			
Transfers out	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
Net changes in fund balances	111,778	2,400	114,178
Fund balances, beginning of year	<u>47,572</u>	<u>1,562</u>	<u>49,134</u>
Fund balances, end of year	<u>\$ 159,350</u>	<u>3,962</u>	<u>163,312</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—
GOVERNMENTAL FUNDS—MODIFIED CASH BASIS, CONTINUED**

Year Ended June 30, 2008

	General Fund	Street and Alley	Total Governmental Funds
Revenues:			
Taxes	\$ 224,422	3,143	227,565
Intergovernmental	5,100	-	5,100
Charges for services	3,888	-	3,888
Fines and forfeitures	65,761	-	65,761
Licenses and permits	10,838	-	10,838
Miscellaneous	5,318	3	5,321
Total revenues	<u>315,327</u>	<u>3,146</u>	<u>318,473</u>
Expenditures:			
Current:			
General government	210,580	1,628	212,208
Public safety	35,117	-	35,117
Community development	4,887	-	4,887
Capital outlay	18,213	-	18,213
Total expenditures	<u>268,797</u>	<u>1,628</u>	<u>270,425</u>
Excess of revenues over expenditures	<u>46,530</u>	<u>1,518</u>	<u>48,048</u>
Other financing sources (uses):			
Transfers out	<u>(12,000)</u>	<u>-</u>	<u>(12,000)</u>
Total other financing sources (uses)	<u>(12,000)</u>	<u>-</u>	<u>(12,000)</u>
Net changes in fund balances	34,530	1,518	36,048
Fund balances, beginning of year	<u>13,042</u>	<u>44</u>	<u>13,086</u>
Fund balances, end of year	<u>\$ 47,572</u>	<u>1,562</u>	<u>49,134</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011, 2010, 2009, and 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

In determining the financial reporting entity, the Town of Arcadia (the “Town”) complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity,” that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report, except for the exclusion of the Arcadia Public Works Authority (APWA) as discussed below. The Town’s financial reporting entity includes two separate legal entities reported as the primary government and component unit.

- The Town of Arcadia—an incorporated town that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the Town—reported as part of the primary government.
- The Arcadia Public Works Authority (APWA)—a public trust created on October 22, 1998, for the purpose of providing water and waste services to the citizens in the Town, with the Town Council members serving as the trustees—considered part of the primary government presentation for reporting purposes—*blended component unit not included in report due to a difference in basis of accounting.*

For the above public trust, the Town is the beneficiary of the trust and the Town Council either serves as the governing body of the trust or appoints the trustees. In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the Town Council. This is considered sufficient imposition of will to include the trust within the Town’s financial reporting entity. The public trust did issue separate annual financial statements as of and for the years ended June 30, 2011, 2010, 2009, and 2008.

Basis of Accounting and Presentation

Government-Wide Financial Statements

The statement of net assets and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles.

See Independent Auditors’ Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting and Presentation, Continued

Government-Wide Financial Statements, Continued

These modifications include adjustments for the following balances arising from cash transactions:

- Cash-based interfund receivables and payables
- Other cash-based receivables/payables

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, property, equipment, and infrastructure assets are not recorded or depreciated, nor is debt reflected as a liability.

Program revenues within the statements of activities are derived directly from each activity or from parties outside the Town's taxpayers. The Town has the following program revenues in each activity:

- General government—license and permits, fines and fees, sales, alcohol and tobacco taxes.
- Public Safety—fine revenue and operating grants.
- Community development—permits and rental fees.
- Street and alley—gas excise and commercial vehicle taxes

See Independent Auditors' Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting and Presentation, Continued

Governmental Funds

The Town's governmental funds are comprised of the following:

Major Funds:

- General Fund—accounts for all activities not accounted for in other special-purpose funds. For external financial statement reporting purposes, the Cleet Fund which accounts for special revenues and expenditures for Cleet, is combined and reported with the General Fund.
- Street and Alley Fund—a special revenue fund that accounts for revenues constrained for special projects of the Town.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

For purposes of the statements of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

Cash and Cash Equivalents

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of 3 months or less, and money market accounts.

Capital Assets

Due to the use of the modified cash basis of accounting, capital assets and related depreciation are not reported in the financial statements.

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrue compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensate absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is not considered material, due to the limited number of employees.

Fund Balances and Net Assets

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- Nonspendable—includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted—consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- Committed—includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. The Town’s highest level of decision-making authority is made by ordinance.
- Assigned—includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town Council action or management decision when the Town Council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- Unassigned—represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

See Independent Auditors’ Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Balances and Net Assets, Continued

Fund Statements, Continued

It is the Town’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The Town’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net assets are displayed in two components:

- Restricted net assets—consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets—all other net assets that do not meet the definition of “restricted.”

It is the Town’s policy to first use restricted net assets prior to the use of unrestricted net assets when expenditures are incurred for purposes for which both restricted and unrestricted net assets are available.

Internal and Interfund Balances and Transfers

The Town’s policy is to eliminate interfund transfers and balances in the statements of activities and net assets to avoid the grossing up of balances. Internal transfers and balances between funds are not eliminated in the fund financial statements.

(2) DEPOSITS

At June 30 the primary government held the following deposits:

<u>Type</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Demand deposits	<u>\$ 17,637</u>	<u>70,351</u>	<u>163,312</u>	<u>49,134</u>

See Independent Auditors’ Report.

**TOWN OF ARCADIA
 ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) DEPOSITS, CONTINUED

Custodial Credit Risk

Exposure to custodial credit related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Town’s name.

The Town’s policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. At June 30, 2011, 2010, 2009, and 2008, the Town was not under-collateralized at any financial institution.

Restricted Cash

The amounts reported as restricted assets on the statements of net assets are comprised of amounts restricted for Town projects and public safety. The restricted assets as of June 30 are as follows:

<u>Cash and Cash Equivalents</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cleet	\$ 936	312	157	72
Street and alley	<u>6,384</u>	<u>6,187</u>	<u>3,962</u>	<u>1,562</u>
	<u>\$ 7,320</u>	<u>6,499</u>	<u>4,119</u>	<u>1,634</u>

(3) NOTE RECEIVABLE

The Town issued a note receivable to the APWA during July 2009. The note had a maximum principal balance of \$100,000 and was extended to be used for the initial planning and development phase of the sewer system. The note payable carries a 3.5% interest rate and was originally due in July 2010. The note payable was extended until November 2011. As of June 30, 2011 and 2010, the note payable balance was \$75,000.

See Independent Auditors’ Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) SALES TAX REVENUE

Sales tax revenue represents a 4 cent local tax on each dollar of taxable sales within the Town, in accordance with Ordinance 89-1504. Sales tax revenue received is recorded in the General Fund capital for general operations.

(5) PROPERTY TAX LEVY

The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the Town.

(6) RISK MANAGEMENT

The Town and its public trust are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. There were not any claims in any of the years ending June 30, 2011, 2010, 2009, or 2008.

(7) COMMITMENTS AND CONTINGENCIES

Compensated Absences

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation, sick and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2011, 2010, 2009, and 2008 is not considered material due to the limited number of employees.

Litigation

The Town is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a 3-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. These statutory provisions do not apply to the Town's public trust authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the state statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

See Independent Auditors' Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) COMMITMENTS AND CONTINGENCIES, CONTINUED

Federal and State Award Programs

The Town participates in various federal or state grant/loan programs from year to year. In 2011, 2010, 2009, and 2008, the Town's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan and at June 30, 2011, 2010, 2009, and 2008, there were not any audits outstanding by any grant agents or loaning agency.

See Independent Auditors' Report.



**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 Users of the Town of Arcadia, Oklahoma, Annual Financial Report

We have audited the financial statements of the governmental activities and each major fund of the Town of Arcadia, Oklahoma (the “Town”) as of and for the years ended June 30, 2011, 2010, 2009, and 2008, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated July 31, 2014. Our report includes a paragraph which notes that the financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. In addition, our report includes a paragraph which renders an adverse opinion on the business-type activities and APWA fund of the Town due to the exclusion of the Arcadia Public Works Authority. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town’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 the Town’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town’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 responses, 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 deficiency described in the accompanying schedule of findings and responses as Finding 2008–2011-1 to be a material weakness.

(Continued)

**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*, CONTINUED**

Internal Control over Financial Reporting, Continued

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 responses as Findings 2008–2011-2 through 2008–2011-4 to be significant deficiencies.

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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town in a separate letter dated July 31, 2014.

The Town’s responses to the findings identified in our audits are described in the accompanying schedule of findings and responses. We did not audit the Town’s responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, the Town Council, others within the Town, and state and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
July 31, 2014

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES

Years Ended June 30, 2011, 2010, 2009, and 2008

SECTION I—FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2008–2011-1 Property Records

Criteria: Property Records, showing capital assets and infrastructure of the Town, should be maintained, reviewed and reconciled on a periodic basis.

Condition: The Town does not maintain such property records.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully execute duties.

Effect: Without property records, the Town cannot properly track, maintain, or protect capital assets.

Recommendation: We recommend property records be created for the Town.

Questioned Costs: \$ 0

Management's Response: While we have an inventory of items owned starting in 2003, it is not current and may not reflect actual purchase cost. However, using this list, we will develop a listing to be used for financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2011, 2010, 2009, and 2008

SECTION I—FINANCIAL STATEMENT FINDINGS, CONTINUED

SIGNIFICANT DEFICIENCIES

2008–2011-2 Revenue Recognition

Criteria: Total fines and fees and court fees should be reconciled and agreed to financial records on a periodic basis.

Condition: Reconciliations for the fines, fees and court fees from the receipt book to the financials are not performed.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully execute duties.

Effect: Without a reconciliation, the risk that errors and fraud related to fines and fees activities could occur and not be detected within a timely basis increases.

Recommendation: We recommend fines fees and court fee revenues be reconciled and reviewed in order to ensure proper revenue recognition.

Questioned Costs: \$ 0

Management's Response: We concur and are in the process of implementing the recommendation.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2011, 2010, 2009, and 2008

SECTION I—FINANCIAL STATEMENT FINDINGS, CONTINUED

SIGNIFICANT DEFICIENCIES, CONTINUED

2008–2011-3 Transfers Between Funds

Criteria: Transfer amounts between funds should agree to the transfer shown per the other fund.

Condition: Reconciliations for the transfers are not performed.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully execute duties.

Effect: Without a reconciliation, the risk that errors and fraud related to transfers between funds could occur and not be detected within a timely basis increases.

Recommendation: We recommend reconciliation be performed and reviewed in order to ensure transfers are properly recorded between funds.

Questioned Costs: \$ 0

Management's Response: We agree with the comment and will implement the recommendation.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2011, 2010, 2009, and 2008

SECTION I—FINANCIAL STATEMENT FINDINGS, CONTINUED

SIGNIFICANT DEFICIENCIES, CONTINUED

2008–2011-4 Receipt of CLEET Monies

Criteria: A portion of ticket collections is to be used for CLEET activities.

Condition: Amounts deposited into CLEET fund could not be recalculated as being proper nor could the amount be agreed to ticket information as there is not a list of total tickets written and multiple payments can be paid for one ticket.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully execute duties.

Effect: Without a listing of tickets written, the risk that CLEET monies are not properly transferred to be used for CLEET activities increases.

Recommendation: We recommend a listing of tickets be maintained and reviewed in order to ensure CLEET funds are properly transferred and recorded.

Questioned Costs: \$ 0

Management's Response: There is a listing being maintained, and we will start to reconcile to the CLEET form.