

TOWN OF SHADY POINT, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

TOWN OF SHADY POINT, OKLAHOMA

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TOWN OF SHADY POINT, OKLAHOMA

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TOWN OF SHADY POINT, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

Board of Trustees

Mayor	Joyce Mixon
Member	Charles Covey
Member	Justin Cruise
Member	Adam Castillo
Member	Bud Killion

Town Clerk & Treasurer

Debbie Hemphill

Town Attorney

Ronald Lawson

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Shady Point, 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 Shady Point, Oklahoma, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Town of Shady Point, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Shady Point, Oklahoma'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 of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. 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 described in the Notes, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, business-type activities, each major fund and the aggregate remaining fund information of the Town of Shady Point, Oklahoma, as of June 30, 2011, and the changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 2012, on our consideration of the Town of Shady Point, Oklahoma'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 compliance with Government Auditing Standards and should be considered in assessing the results of our audit.

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

The Management's Discussion and Analysis and Budgetary Comparison Information and the notes to the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC

October 4, 2012

TOWN OF SHADY POINT

P.O. Box 107
Shady Point, OK 74956

MANAGEMENT AND DISCUSSION ANALYSIS

(Unaudited)

Our discussion and analysis of the Town of Shady Point's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011, within the limitations of the Town's modified cash basis of accounting. Please read it in conjunction with the Town's financial statements that begin on page 13.

FINANCIAL HIGHLIGHTS

- The Town's total expenses exceeded total revenues, on the modified cash basis of accounting, by \$63,859 for the year, resulting in a decrease in total net assets of 6.06 percent under the previous year.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Town's modified cash basis of accounting.

Report Components This annual report consists of five parts as follows:

Government-Wide Financial Statements: The Statement of Net Assets and the Statement of Activities (*on pages 13-14*) provide information about the activities of the Town government-wide (or "as a whole") and present a longer-term view of the Town's finances.

Fund Financial Statements: The fund financial statements (*starting on page 15*) focus on the individual parts of the Town government. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Town operates like businesses, such as electric, water, sewer and sanitation services.

**TOWN OF SHADY POINT
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 2 (Unaudited)**

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management's Discussion and Analysis and (*starting on page 40*) Governmental Funds Budgetary Comparison Schedules represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other Supplementary Information: Currently the Town does not have any other supplementary information to include. This part of the annual report would normally include optional financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column. This other supplemental financial information is provided to address certain specific needs of various users of the Town's annual report.

Basis of Accounting

The Town has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Town's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

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 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Town as a Whole

The Town's Reporting Entity Presentation

This annual report includes all activities for which the Town of Shady Point Council is fiscally responsible. These activities, defined as the Town's reporting entity, are operated within separate legal entities that make up the primary government and other legal entity that is included as a component unit.

The primary government includes the following legal entities:

- The Town of Shady Point
- Shady Point Public Works Authority

The Government-Wide Statement of Net Assets and the Statement of Activities

Our financial analysis of the Town as a whole begins on page 8. The government-wide financial statements are presented on pages 13 through 14. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all of the Town's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the Town's net assets and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the Town's net assets—the difference between assets and liabilities—as one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's sales tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities. Most of the Town's basic services are reported here, including the police, fire, general administration, streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

Business-type activities. The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sewer system operations are reported here.

Reporting the Town's Most Significant Funds

The Fund Financial Statements—our analysis of the Town's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

Governmental funds—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the each fund financial statement. The Town considers the General Fund and the Street Utility Sales Tax Fund to be significant or major governmental funds. All other governmental funds are aggregated in a single column entitled nonmajor funds.

Proprietary funds—When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the Town's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The Town only has one enterprise fund—the Public Works Authority Utilities Fund.

Fiduciary funds—Normally are used to account for assets that are held in a trustee or fiduciary capacity such as utility deposits, pension plan assets, assets held per trust agreements, and similar arrangements.

**TOWN OF SHADY POINT
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 5 (Unaudited)**

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Assets—Modified Cash Basis

TOWN OF SHADY POINT'S NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	105,579	129,933	27,799	18,817	133,378	148,750
Capital Assets	214,264	247,150	1,046,287	1,084,588	1,260,551	1,331,738
Total Assets	<u>319,843</u>	<u>377,083</u>	<u>1,074,086</u>	<u>1,103,405</u>	<u>1,393,929</u>	<u>1,480,488</u>
Long term liabilities	65,331	76,636	324,101	330,890	389,432	407,526
Other liabilities	14,971	17,591	0	0	14,971	17,591
Total Liabilities	<u>80,302</u>	<u>94,227</u>	<u>324,101</u>	<u>330,890</u>	<u>404,403</u>	<u>425,117</u>
Net Assets:						
Invested in capital assets, net of related debt	148,933	170,514	722,186	753,698	871,119	924,212
Restricted	42,806	0	19,241	16,418	62,047	16,418
Unrestricted	47,802	112,342	8,558	413	56,360	112,755
Total Net Assets	<u>239,541</u>	<u>282,856</u>	<u>749,985</u>	<u>770,529</u>	<u>989,526</u>	<u>1,053,385</u>

The Town's combined net assets, resulting from modified cash basis transactions, decreased from \$1,053,385 to \$989,526 between fiscal years 2010 and 2011. Looking at the net assets and net expenses of governmental and business-type activities separately, governmental activities had a decrease of \$43,315 and business-type activities decreased by \$20,544.

Net assets of the Town's governmental activities decreased to \$239,541. However, \$191,739 of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net assets were only \$47,802 at the end of this year. Equally the net assets of the Town's business-type activities decreased to \$749,985. However, \$741,427 of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, sewer, and so on). Consequently, unrestricted net assets were \$8,558 at the end of this year.

**TOWN OF SHADY POINT
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 6 (Unaudited)**

TOWN OF SHADY POINT'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program Revenues:						
Fees, fines and charges for services	91,534	73,525	59,525	51,905	151,059	125,430
Operating grants and contributions	4,398	5,100	-	-	4,398	5,100
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Sales tax	78,772	69,587	-	-	78,772	69,587
Use tax	6,710	10,629	-	-	6,710	10,629
Franchise tax	22,325	21,903	-	-	22,325	21,903
Cigarette tax	1,114	954	-	-	1,114	954
Intergovt. Revenue	13,862	12,960	-	-	13,862	12,960
Investment earnings	352	589	59	169	411	758
Gain on sale of assets	(2,667)	(2,390)	-	-	(2,667)	(2,390)
Miscellaneous	22,002	9,669	900	505	22,902	10,174
Total revenues	<u>238,402</u>	<u>202,526</u>	<u>60,484</u>	<u>52,579</u>	<u>298,886</u>	<u>255,105</u>
Expenses:						
General government and administration	64,565	69,615	-	-	64,565	69,615
Public safety	171,587	156,137	-	-	171,587	156,137
Transportation	20,056	30,742	-	-	20,056	30,742
Sewer	-	-	106,536	107,523	106,536	107,523
Total expenses	<u>256,209</u>	<u>256,494</u>	<u>106,536</u>	<u>107,523</u>	<u>362,745</u>	<u>364,017</u>
Increases in net assets						
before transfers	(17,807)	(53,968)	(46,052)	(54,944)	(63,859)	(108,912)
Transfers	<u>(25,508)</u>	<u>(5,544)</u>	<u>25,508</u>	<u>5,544</u>	-	-
Net assets - July 1	<u>282,856</u>	<u>342,368</u>	<u>770,529</u>	<u>819,929</u>	<u>1,053,385</u>	<u>1,162,297</u>
Net assets - June 30	<u>239,541</u>	<u>282,856</u>	<u>749,985</u>	<u>770,529</u>	<u>989,526</u>	<u>1,053,385</u>

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

**TOWN OF SHADY POINT
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 7 (Unaudited)**

For the year ended June 30, 2011, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$256,209. Of these total expenses, taxpayers and other general revenues funded \$142,470, while those directly benefiting from the program funded \$91,534 from charges for services and \$4,398 was funded by grants.

Business-Type Activities

The sewer service activities reported net (expense) of \$(47,011). The sewer department is burdened with interest expense of \$16,203 and depreciation expense of approximately \$44,723. From a cash flow view there is little room for operation increases or additional capital improvements.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- On the modified cash basis of accounting, the General Fund reported revenues, and net transfers of \$173,789 and expenditures of \$196,952 resulting in a decrease in fund balance of \$23,163.
- There were minor increases in sales tax and other revenues. The general fund expenditures decreased over the prior year by \$5,819.

General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the General Fund budget at various times. The final adjusted budget, however, was consistent with the original budget and the prior year actual. There were increases in the current year budgeted amounts for general government of approximately \$ 5,160 and police of approximately \$ 10,775. There were decreases in the current year budgeted amounts for street of approximately \$ 5,288 For the year ended June 30, 2011, General Fund expenditures were \$36,450 under final appropriations, while actual resources available for appropriation were \$35,938 over the final budgeted amount.

**TOWN OF SHADY POINT
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 8 (Unaudited)**

CAPTIAL ASSET AND DEBT ADMINISTRATION

Capital Assets—Modified Cash Basis

At June 30, 2011, the Town had \$214,264 invested in capital assets, net of depreciation, including police and fire equipment, buildings, and park facilities. This represents a net decrease of \$32,886, or 13.31 percent, under last year. The Public Works Authority had \$1,046,287 invested in capital assets, net of depreciation including the sewer systems and buildings. This represents a net decrease of \$38,301 or 3.53 percent, under last year.

This year's more significant capital assets additions include:

General Fund - Police - 2001 Tahoe	\$	3,000
General Fund - Street - Lawn Mower		1,999
PWA - Pump for Lift Station		6,422

**Capital Assets at Year-end
Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	14,500	14,500	32,000	32,000	46,500	46,500
Buildings	104,040	108,601	81,527	84,789	185,567	193,390
Vehicles	68,253	86,601	0	0	68,253	86,601
Machinery & Equipment	27,471	37,448	18,246	16,210	45,717	53,658
Utility property & improvements	0	0	914,514	951,589	914,514	951,589
Total	<u>214,264</u>	<u>247,150</u>	<u>1,046,287</u>	<u>1,084,588</u>	<u>1,260,551</u>	<u>1,331,738</u>

**TOWN OF SHADY POINT
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 9 (Unaudited)**

Long-Term Debt—Modified Cash Basis

At June 30, 2011, the Town had \$389,432 in long term debt arising from modified cash basis transactions compared to \$407,526 at June 30, 2010. At June 30, 2011, \$65,331 of the debt is related to governmental activities and \$324,101 is related to business-type activities. (See table below). The overall decrease in debt is 4.44 percent of the prior year balance. See the notes to financial statements (Note 2.D.) for future debt service and debt service requirements.

Primary Government Long-Term Debt -- Modified Cash Basis

	<u>2010</u>	<u>2011</u>
Governmental debt:		
Lease purchase First National Bank	\$ 16,667	\$ 12,735
Lease purchase First National Bank & Trust	59,969	52,596
Total governmental debt	<u>\$ 76,636</u>	<u>\$ 65,331</u>
Business-type debt:		
Rural Development	330,890	324,101
Total business-type debt	<u>330,890</u>	<u>324,101</u>
Total all debt	<u>\$ 407,526</u>	<u>\$ 389,432</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending June 30, 2011, the Town's budget is fairly consistent with this year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk's office at 22714 Wiles Street, Shady Point, Oklahoma or telephone at (918) 963-4214.

TOWN OF SHADY POINT, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2011

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash, and cash equivalents	\$98,883	\$8,558	\$107,441
Due from other funds	6,696		6,696
Total current assets	<u>105,579</u>	<u>8,558</u>	<u>114,137</u>
Noncurrent Assets:			
Restricted cash and cash equivalents		19,241	19,241
Capital assets (Note 2.C.):			
Land	14,500	32,000	46,500
Other capital assets, net of accumulated	199,764	1,014,287	1,214,051
Total noncurrent assets	<u>214,264</u>	<u>1,065,528</u>	<u>1,279,792</u>
Total Assets	<u>319,843</u>	<u>1,074,086</u>	<u>1,393,929</u>
LIABILITIES			
Current Liabilities:			
Payroll taxes payable	1,301		1,301
Due to other funds	13,670		13,670
Due within one year	11,985	6,945	18,930
Total current liabilities	<u>26,956</u>	<u>6,945</u>	<u>33,901</u>
Noncurrent Liabilities:			
Long term liabilities (Note 2.D.)	53,346		53,346
Notes payable		317,156	317,156
Total noncurrent liabilities	<u>53,346</u>	<u>317,156</u>	<u>370,502</u>
Total Liabilities	<u>80,302</u>	<u>324,101</u>	<u>404,403</u>
NET ASSETS			
Invested in capital assets, net of related debt	148,933	722,186	871,119
Restricted for:			
Fire Department	42,806		42,806
Debt service		19,241	19,241
Unrestricted	47,802	8,558	56,360
Total Net Assets	<u>\$239,541</u>	<u>\$749,985</u>	<u>\$989,526</u>

See accompanying notes to the basic financial statements.

**TOWN OF SHADY POINT, OKLAHOMA
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities					
General Government:					
General Government	\$64,565				(64,565)
Total general government	<u>64,565</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(64,565)</u>
Public Safety:					
Police	116,904	91,034			(25,870)
Fire	54,684	500	4,398		(49,786)
Total Public safety	<u>171,587</u>	<u>91,534</u>	<u>4,398</u>	<u>0</u>	<u>(75,655)</u>
Transportation:					
Streets	20,056				(20,056)
Total transportation	<u>20,056</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(20,056)</u>
Total governmental activities	<u>256,209</u>	<u>91,534</u>	<u>4,398</u>	<u>0</u>	<u>(160,277)</u>
Business-type activities:					
Sewer	106,536	59,525			(47,011)
Total business-type activities	<u>106,536</u>	<u>59,525</u>	<u>0</u>	<u>0</u>	<u>(47,011)</u>
Total	<u>\$362,745</u>	<u>\$151,059</u>	<u>\$4,398</u>	<u>\$0</u>	<u>(\$207,288)</u>

Changes in Net Assets

	Governmental (\$160,277)	Business-Type (\$47,011)	Total (\$207,288)
General revenues:			
Taxes:			
Sales Tax	78,772		78,772
Use Tax	6,710		6,710
Franchise and public service taxes	22,325		22,325
Cigarette Tax	1,114		1,114
Intergovernmental revenue not restricted to specific programs	13,862		13,862
Interest income	352	59	411
Gain (Loss) on sale of assets	(2,667)		(2,667)
Miscellaneous	22,002	900	22,902
Transfers internal activity	(25,508)	25,508	0
Total general revenues and transfers	<u>116,962</u>	<u>26,467</u>	<u>143,429</u>
Change in net assets	(43,315)	(20,544)	(63,859)
Net assets-beginning	282,856	770,529	1,053,385
Net assets- ending	<u>\$239,541</u>	<u>\$749,985</u>	<u>\$989,526</u>

See accompanying notes to the basic financial statements.

**TOWN OF SHADY POINT, OKLAHOMA
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, and cash equivalents	\$61,445	\$36,110	\$1,328	98,883
Due from other funds		6,696		6,696
Total current assets	61,445	42,806	1,328	\$105,579
Total Assets	61,445	42,806	1,328	105,579
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll taxes payable	1,301			1,301
Due to other funds	13,670			13,670
Total Liabilities	14,971	0	0	14,971
Fund Balances:				
Restricted for:				
Fire Department		42,806		42,806
Assigned	3,112		1,328	4,440
Unassigned	43,362			43,362
Total Fund Balances	46,474	42,806	1,328	90,608
Total Liabilities and Fund Balances	\$61,445	\$42,806	\$1,328	
Reconciliation to Statement of Net Assets:				
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities of \$ 624,965 net of accumulated depreciation of \$ 410,701 are not financial resources and, therefore, are not reported in funds				214,264
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.				(65,331)
Net assets of governmental activities				\$239,541

See accompanying notes to the financial statements.

TOWN OF SHADY POINT, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	84,498	24,423		108,921
Intergovernmental	13,862	4,398		18,260
Charges for services		500		500
Fines and forfeitures	91,034			91,034
Interest income	349		3	352
Miscellaneous	3,716	18,286		22,002
Total Revenues	193,459	47,607	3	241,069
Expenditures:				
Current:				
General Government:				
General Government	61,423			61,423
Public Safety:				
Police	106,520			106,520
Fire		27,442		27,442
Street and Public Works:				
Streets	19,017			19,017
Capital Outlay	4,999	2,400		7,399
Debt Service	4,993	10,501		15,494
Total Expenditures	196,952	40,343	0	237,295
Excess (deficiency) of revenues over expenditures	(3,493)	7,264	3	3,774
Other Financing Sources (Uses):				
Transfers in	2,400			2,400
Capital lease proceeds				0
Transfers out	(22,070)	(5,838)		(27,908)
Total Other Financing Sources (Uses)	(19,670)	(5,838)	0	(25,508)
Net change in fund balances	(23,163)	1,426	3	(21,734)
Fund balances - beginning	69,637	41,380	1,325	112,342
Fund balances - ending	46,474	42,806	1,328	90,608
Reconciliation to the Statement of Activities:				
Net change in fund balances -total governmental funds				(\$21,734)
Amounts reported for governmental activities in the Statement of Activities are different because:				
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:				
Capital asset purchases capitalized				7,399
Depreciation expense				(37,618)
Debt service payments are not considered expenditures in the governmental activities report				
				11,305
The net effect of various transactions involving capital assets (i.e. sales, trade ins, and contributions)				
				(2,667)
				(21,581)
				Change in Net Assets of Governmental Activities (\$43,315)

TOWN OF SHADY POINT, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
June 30, 2011

	<u>Shady Point Public Works Authority</u>
ASSETS	
Current Assets:	
Cash, and cash equivalents	\$8,558
Total current assets	<u>8,558</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	19,241
Capital Assets	
Land	32,000
Other capital assets, net of accumulated depreciation	1,014,287
Total noncurrent assets	<u>1,065,528</u>
Total Assets	<u>1,074,086</u>
LIABILITIES	
Current Liabilities:	
Long Term Liabilities - current portion	6,945
Total current liabilities	<u>6,945</u>
Noncurrent Liabilities:	
Long Term Liabilities - long term portion	317,156
Total noncurrent liabilities	<u>317,156</u>
Total Liabilities	<u>324,101</u>
NET ASSETS	
Invested in capital assets, net of related debt	722,186
Restricted for debt service	19,241
Unrestricted	8,558
Total net assets	<u>\$ 749,985</u>

See accompanying notes to the basic financial statements.

**TOWN OF SHADY POINT, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSESTS
MODIFIED CASH BASIS PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Shady Point Public Works Authority</u>
Operating Revenues:	
Charges for services:	
Sewer charges	\$ 57,275
New user tap fees	\$ 2,250
Miscellaneous	900
Total Operating Revenues	<u>60,425</u>
Operating Expenses:	
Sewer operations	45,610
Depreciation	44,723
Total Operating Expenses	<u>90,333</u>
Net Operating Income (Loss)	(29,908)
Non-Operating Revenue (Expense):	
Investment income	59
Interest expense and fiscal agent fees	(16,203)
Total Non-Operating Revenue (Expense)	<u>(16,144)</u>
Net Income (Loss) Before Operating Transfers	(46,052)
Transfers In	25,508
Transfers Out	<u>0</u>
Changes in net assests	(20,544)
Total Net Assets-Beginning	770,529
Total Net Assets-Ending	<u>\$749,985</u>

See accompanying notes to the basic financial statements.

**TOWN OF SHADY POINT, OKLAHOMA
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Shady Point Public Works Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$60,425
Payments to suppliers	(27,522)
Payments to employees	(18,088)
Net Cash Provided by Operating Activities	<u>14,815</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Decrease in due to other funds	(1,986)
Transfers from other funds	25,508
Net Cash Provided (Used) by Noncapital Financing Activities	<u>23,522</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(6,422)
Principal paid on capital debit	(6,789)
Interest and fiscal agent fees paid on capital debit	(16,203)
Net Cash Used in Capital and Related Financing Activities	<u>(29,414)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	59
Net Cash Provided by Investing Activities	<u>59</u>
Net Increase in Cash and Cash Equivalents	8,982
Balance- beginning of the year	18,817
Balance- end of the year	<u>\$27,799</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	(\$29,908)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	44,723
Net cash provided by operating activities	<u>\$14,815</u>

See accompanying notes to the basic financial statements.

TOWN OF SHADY POINT, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash, and cash equivalents	\$1,037
Due from General	6,974
Total assets	<u>\$8,011</u>
 LIABILITIES	
Due to Other Governments	\$8,011
Total liabilities	<u>\$8,011</u>

See accompanying notes to the basic financial statements.

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Town are described below.

Also, for the fiscal year ended June 30, 2011, the town implemented the new financial reporting requirements of GASB statement 34. As a result, an entirely new financial presentation format has been implemented as described in Note 1.B following.

1.A. FINANCIAL REPORTING ENTITY

The Town's financial reporting entity is composed of the following:

Primary Government:	Town of Shady Point
Component Units:	Shady Point Public Works Authority

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

BLENDED COMPONENT UNIT

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Shady Point Public Works Authority	<i>Created February 8, 1972 to finance, develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control and regulate utility facilities whether water, sewage, garbage, trash disposal, recreation and industrial facilities, or other forms or types of public and municipal services within or without the corporate boundaries of the Town of Shady Point.</i>	<i>PWA Enterprise Fund</i>

The component units do not issue separately audited component unit financial statements.

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties of goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town presently has two fiduciary funds that account for municipal court bonds and utility customer deposits. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town.

Capital Project Funds

Capital project funds area used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity presently includes no capital project fund.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following blended component unit enterprise fund that is reported as follows:

<u>Fund</u>	<u>Brief Description</u>
Shady Point Public Works Authority	Accounts for the activities of the public trust in providing wastewater services to the public.

Fiduciary Fund Types (not included in government-wide statements)

Agency Funds

Agency Funds account for assets held by the Town in a custodial capacity. The reporting entity includes the Municipal Court Fund used to account for court bonds and fees due to other governments. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

1.C. MEASUREMENT FOCUS ON BASIS OF ACCOUNTING

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

MEASUREMENT FOCUS

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the funds financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-like, and each major fund and the aggregate remaining fund information are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 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.

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

1.D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments. Trust account investments in open-ended mutual funds shares are also considered cash equivalents.

CAPTIAL ASSETS

The Town’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds’ infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Land	N/A
Buildings	40 years
Equipment	5-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

EQUITY CLASSIFICATION

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvements of those assets.
- b. 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.
- c. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

1. E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

Public Safety	Fine revenue and Fire run revenue; operating and capital grants, animal control licenses.
Transportation	Streets commercial vehicle and gasoline excise tax shared by the State

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated. See Note 2.E. for details of interfund transactions, including receivables and payables at year-end.

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans—Those related to goods and services type transactions are classified as “due to and from other funds”. Short term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.”

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

2. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.
3. Interfund services—Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
4. Interfund reimbursements—Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
5. Interfund transfers—Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances—Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities—Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers--Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances—Resource flows between the primary government (the Town and Municipal Improvement Authority) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

1.G. FUND EQUITY

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Restricted fund balance – amounts constrained to specific purposes by their providers (Such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt services, or for other purposes).

1.H. USE OF STATEMENTS

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. DETAIL NOTES—TRANSACTIONS CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

2.A. CASH AND INVESTMENTS

CUSTODIAL CREDIT RISK-DEPOSITS

The table presented below is designed to disclose the level of custodial credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2011. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

- Category 1-- Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in its name.
- Category 2-- Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3-- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Town's name; or properly collateralized with no written and approved collateral agreement.

Primary Government

Custody Credit Risk Category

<u>Type of Deposits</u>	<u>Balance</u>	<u>Total Bank</u>			
		<u>1</u>	<u>2</u>	<u>3</u>	
Insured deposits	131,840	131,840	-	-	
Uninsured deposits					
Collateralized	-	-	-	-	
Uncollateralized	-	-	-	-	
Total Deposits	131,840	131,840	-	-	Total Carrying Value
					127,719
					127,719

Reconciliation to Government-Wide Statements of Net Assets:

Cash and cash equivalents	106,113
Restricted cash and cash equivalents	20,569
Agency fund cash, including time deposit (not included in government wide statement)	1,037
	127,719

2.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority for Rural Development loan requirements (held in reserve with the exception that funds may be expended for system repair and maintenance upon Rural Development approval) of \$19,241.

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

2.C. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year.

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2011</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	14,500	0	0	14,500
Total capital assets not being depreciated	<u>14,500</u>	<u>0</u>	<u>0</u>	<u>14,500</u>
Other capital assets:				
Buildings	159,486	0	0	159,486
Vehicles	273,260	5,400	(28,283)	250,377
Machinery and equipment	198,603	1,999	0	200,602
Total other capital assets at historical cost	<u>631,349</u>	<u>7,399</u>	<u>(28,283)</u>	<u>610,465</u>
Less accumulated depreciation for:				
Buildings	50,885	4,561	0	55,446
Vehicles	186,659	21,081	(25,616)	182,124
Machinery and equipment	161,155	11,976	0	173,131
Total accumulated depreciation	<u>398,699</u>	<u>37,618</u>	<u>(25,616)</u>	<u>410,701</u>
Other capital assets, net	<u>232,650</u>	<u>(30,219)</u>	<u>(2,667)</u>	<u>199,764</u>
Governmental activities capital assets, net	<u>247,150</u>	<u>(30,219)</u>	<u>(2,667)</u>	<u>214,264</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	32,000	0	0	32,000
Total capital assets not being depreciated	<u>32,000</u>	<u>0</u>	<u>0</u>	<u>32,000</u>
Other capital assets:				
Buildings	130,504	0	0	130,504
Vehicles	0	0	0	0
Machinery and equipment	36,999	6,422	0	43,421
Utility property & improvements	1,482,996	0	0	1,482,996
Total other capital assets at historical cost	<u>1,650,499</u>	<u>6,422</u>	<u>0</u>	<u>1,656,921</u>
Less accumulated depreciation for:				
Buildings	45,715	3,262	0	48,977
Vehicles	0	0	0	0
Machinery and equipment	20,789	4,386	0	25,175
Utility property & improvements	531,407	37,075	0	568,482
Total accumulated depreciation	<u>597,911</u>	<u>44,723</u>	<u>0</u>	<u>642,634</u>
Other capital assets, net	<u>1,052,588</u>	<u>(38,301)</u>	<u>0</u>	<u>1,014,287</u>
Business-type activities capital assets, net	<u>1,084,588</u>	<u>(38,301)</u>	<u>0</u>	<u>1,046,287</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Primary Government	
Government Activities:	
General Government	3,142
Police	9,323
Street	1,039
Fire	24,114
Total depreciation expense for governmental activities	<u>37,618</u>
Business-Type Activities:	
Sewer	44,723
Total depreciation expense for business-type activities	<u>44,723</u>

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

2.D. LONG-TERM DEBT

The reporting entity's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

As of June 30, 2011, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Lease Purchase Obligations:

First National Bank 7.25% interest with 84 monthly payments of principal and interest of \$416 due April 21, 2014, by 2009 Dodge Charger Scheduled debt service payments in the General Fund Police Department. 12,735

First National Bank & Trust 5.55% interest with 120 monthly payments of principal and interest of \$875 due June 1, 2017, by 2007 Ford F-550 Rescue Truck. Scheduled debt service payments in the Fire Fund. 52,596

Total Lease Purchases Outstanding \$ 65,331

Current portion \$ 11,985

Non-current portion 53,346

Total Leases Payable \$ 65,331

BUSINESS-TYPE ACTIVITIES

As of June 30, 2011, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Notes Payable:

Note due to Rural Development in the amount of \$304,500 with 5% interest and 480 monthly payments of principal and interest of \$1,496 due June 2035. \$ 249,478

The note is collateralized by a mortgage on the Shady Point Public Works Authority's sewer system and a first lien on and pledge of the revenues produced.

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011, are as follows:

Year Ended June 30,	Capital Debt Obligations		Notes & Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2012	11,985.04	3,508.52	6,944.65	16,047.35
2013	12,743.25	2,750.31	7,299.99	15,692.01
2014	12,691.58	1,946.05	7,673.46	15,318.54
2015	9,182.54	1,317.82	8,066.04	14,925.96
2016	9,705.34	795.02	8,478.71	14,513.29
2017-2021	9,022.83	242.44	49,361.57	65,598.43
2022-2026	0.00	0.00	63,348.69	51,611.31
2027-2031	0.00	0.00	81,299.06	33,660.94
2032-2036	0.00	0.00	81,957.32	11,236.48
2037-2038	0.00	0.00	9,671.52	510.75
Total	<u>65,330.58</u>	<u>10,560.16</u>	<u>324,101.01</u>	<u>239,115.06</u>

DEBT SERVICE COVERAGE AND RESERVE REQUIREMENT

In accordance with Rural Development loan requirements - Cash and investments are held in a project fund account within the Shady Point Public Works Authority. All such funds are held in reserve with the exception that funds may be expended for system repair and maintenance upon Rural Development approval. Currently, deposits of \$150 and \$42 a month are required until a balance of \$17,955 and \$9,000 is obtained. Also, a replacement account was set up in September 2005 to have cash on hand for emergency repairs. A dollar per sewer customer was added to the customer's bill and approximately \$300 per month is deposited into this account. Such cash and investments are reflected as restricted assets in the financial statements.

	Balance 7/1/2010	Reserve Additions	Interest	Reserve Deductions	Balance 6/30/2011
Reserve Account	15,396	2,299	41	0	17,736
Replacement Account	1,022	3,600	3	(3,120)	1,505
Total Restricted Cash	<u>16,418</u>	<u>5,899</u>	<u>44</u>	<u>(3,120)</u>	<u>19,241</u>

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

2.E. INTERFUND BALANCES AND TRANSFERS

INTERFUND BALANCE

Balances due from and due to consist of \$6,503 due from General fund to Fire fund, \$9,717 due from General Fund to Agency fund and \$1,986 due to Public Works Authority from General fund.

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2011, were as follows:

MAJOR FUNDS:	TRANSFERS IN	TRANSFERS OUT
GENERAL:		
Fire Fund	2,400	
Shady Point Municipal Improvement Authority		22,070
Total General	<u>2,400</u>	<u>22,070</u>
SPECIAL REVENUE:		
Fire:		
General Fund		3,438
Shady Point Municipal Improvement Authority		2,400
Total Special Revenue	<u>0</u>	<u>5,838</u>
ENTERPRISE FUNDS:		
Shady Point Municipal Improvement Authority:		
General Fund	22,070	
Fire Fund	3,438	
Total Enterprise Funds	<u>25,508</u>	<u>0</u>
GRAND TOTALS	<u>27,908</u>	<u>27,908</u>

NOTE 3. OTHER NOTES

3. A. GRANTS AND CONTRACTS

Rural Fire Defense Grant - The Town received a grant of \$4,398 from the Oklahoma Department of Agriculture Forestry Services for a fire calls.

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

3.B. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

Volunteer firemen of the Town of Shady Point, Oklahoma, participate in the Oklahoma Firefighters Pension and Retirement System. The plan covers all volunteer fireman hired before age 45 if they are working in a participating municipality. These firemen are not paid a salary.

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

	Oklahoma Firefighter's Pension and <u>Retirement System</u>
Obtaining separately issued financial statements	Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A
Town's contribution rate (\$60 per volunteer)	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	20 years of service
Eligibility and benefits for distribution (full-time)	20 years credited service, 2 ½% of Final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested; at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Eligibility and benefits for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited with continued service for a maximum of 30 or more years
Provisions for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Provisions for: Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes

Contributions and Trend Information

Contributions required by State Statute:

Fiscal Year	Required Contribution	Percent Contributed
2009	\$ 720	100%
2010	720	100%
2011	900	100%

Trend information showing progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

Related-Party Investments

As of June 30, 2011, the System held no related-party investments of the Town or of its component units.

3.C. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; employee's health and life; and natural disasters.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

The Town manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk Retained
Torts, errors and omissions	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
Injuries to employees (workers' compensation)	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
Physical property loss and natural disasters	Purchased insurance with Oklahoma Municipal Assurance Group and Fire Dept. Building and Equipment with Risk Management Division	(1)
Health and life	Participates in the Oklahoma State Education Employee Group Insurance Board	None

(1) The Town participates in the Oklahoma Municipal Assurance Group Liability Protection Plan and Life and Health Benefit Plan (risk entity pools).

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

3.D. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At June 30, 2011, the Town had an unrecorded commitment for earned but unused vacation and compensatory time leave benefits that would require payment upon employee termination of service.

The compensated absences commitment of \$1,008 at June 30, 2011, can be summarized as follows:

	<u>Town</u>
Vacation	\$ 1,008

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. 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. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The financial statements do not include accrual or provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, such judgments may become liabilities only of the Debt Service Fund and only in the year in which tax revenue is specifically assessed for payment of the claim, and only to the extent of the taxes so specifically assessed in that year. Such claims are generally paid through special tax assessments over a three-year period.

Accordingly, the Town believes that such claims should be recorded in the year in which taxes are assessed for payment on the claim, only to the extent of such tax revenue that is actually provided. This method is preferable to the conflicting rule for treatment of loss contingencies as set out in Statement of Financial Accounting Standards No.5 (issued by the Financial Accounting Standards Board) wherein contingencies should be recorded in full in the year in which it is probable that a liability has been created if the amount of loss can be reasonably estimated.

3.E. SUBSEQUENT EVENTS

The organization has adopted FASB ASC 855-10-50, formerly SFAS No. 165, *Subsequent Events*, which is effective for periods ending after June 15, 2009. The standard reflects the existing principles of current subsequent event accounting guidance and requires disclosure of the date through which subsequent events have been evaluated. Management performed an evaluation of the Organization's activity through October 4, 2012, the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through that date.

**TOWN OF SHADY POINT, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	69,637	69,637	69,637	-
Revenues:				
Taxes				
Sales tax	50,357	55,957	56,266	309
Use tax	7,714	7,714	4,793	(2,921)
Franchise tax	22,500	22,500	22,325	(175)
Cigarette tax	1,000	1,000	1,114	114
Total Taxes	<u>81,571</u>	<u>87,171</u>	<u>84,498</u>	<u>(2,673)</u>
Intergovernmental:				
Alcoholic beverage tax	5,900	5,900	6,137	237
Commercial vehicle tax	6,100	6,100	6,066	(34)
Gasoline excise tax	1,700	1,700	1,659	(41)
Total Intergovernmental	<u>13,700</u>	<u>13,700</u>	<u>13,862</u>	<u>162</u>
Fines and forfeitures				
Court Fines	85,000	85,000	91,034	6,034
Total Fines and Forfeitures	<u>85,000</u>	<u>85,000</u>	<u>91,034</u>	<u>6,034</u>
Interest Income	600	600	349	(251)
Miscellaneous:				
Misc. Revenue	7,500	7,500	3,716	(3,784)
Total Miscellaneous	<u>7,500</u>	<u>7,500</u>	<u>3,716</u>	<u>(3,784)</u>
Other Financing Sources:				
Transfers from other funds	2,400	2,400	2,400	0
Capital lease proceeds	0	0	0	0
Total Other Financing Sources	<u>2,400</u>	<u>2,400</u>	<u>2,400</u>	<u>0</u>
Amounts available for appropriation	<u>260,408</u>	<u>266,008</u>	<u>265,496</u>	<u>(512)</u>

**TOWN OF SHADY POINT, OKLAHOMA
 BUDETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS - GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
General Government:				
Personal services	41,500	41,570	32,436	9,134
Materials and supplies	1,900	2,900	2,877	23
Other services and charges	23,100	27,190	26,110	1,080
Total General Government	<u>66,500</u>	<u>71,660</u>	<u>61,423</u>	<u>10,237</u>
Police:				
Personal services	78,500	78,500	69,153	9,347
Materials and supplies	9,800	10,850	9,821	1,029
Other services and charges	23,375	33,050	27,546	5,504
Capital outlay	5,000	5,000	3,000	2,000
Debt service	4,944	4,994	4,993	1
Total Police	<u>121,619</u>	<u>132,394</u>	<u>114,513</u>	<u>17,881</u>
Street:				
Personal services	8,550	9,462	8,064	1,398
Materials and supplies	4,800	4,800	3,323	1,477
Other services and charges	16,550	10,350	7,630	2,720
Capital outlay	3,000	3,000	1,999	1,001
Total Street	<u>32,900</u>	<u>27,612</u>	<u>21,016</u>	<u>6,596</u>
Other Financing Uses:				
Transfers to other funds	2,106	23,806	22,070	1,736
Total Other Financing Sources	<u>2,106</u>	<u>23,806</u>	<u>22,070</u>	<u>1,736</u>
Total Charges to Appropriations	223,125	255,472	219,022	36,450
Ending Budgetary Fund Balance	<u>37,283</u>	<u>10,536</u>	<u>46,474</u>	<u>35,938</u>

**TOWN OF SHADY POINT, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SPECIAL REVENUE FUNDS				
GRANT FUND				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	1,325	1,325	1,325	0
Resources (Inflows):				
Taxes				0
Intergovernmental				0
Interest Income			3	(3)
Miscellaneous				0
Amounts available for appropriation	<u>1,325</u>	<u>1,325</u>	<u>1,328</u>	<u>(3)</u>
Charges to appropriations (Outflows):				
Grant Fund:				
Capital Outlay				0
Total Grant Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	0	0	0	0
Ending Budgetary Fund Balance	<u>1,325</u>	<u>1,325</u>	<u>1,328</u>	<u>(3)</u>

FIRE FUND				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	41,380	41,380	41,380	0
Resources (Inflows):				
Taxes	23,229	23,229	24,423	1,194
Intergovernmental	5,100	5,100	4,398	(702)
Charges for services	500	500	500	0
Miscellaneous	0	18,325	18,286	(39)
Amounts available for appropriation	<u>70,209</u>	<u>88,534</u>	<u>88,987</u>	<u>453</u>
Fire:				
Personal services	4,027	4,207	4,207	0
Materials and supplies	2,875	6,925	5,456	1,469
Other services and charges	7,875	19,500	17,779	1,721
Capital Outlay	0	2,400	2,400	0
Debt Service	10,500	10,500	10,501	(1)
Transfers to other funds	5,838	5,838	5,838	0
Total Fire	<u>31,115</u>	<u>49,370</u>	<u>46,181</u>	<u>3,189</u>
Total Charges to Appropriations	31,115	49,370	46,181	3,189
Ending Budgetary Fund Balance	<u>39,094</u>	<u>39,164</u>	<u>42,806</u>	<u>3,642</u>

TOWN OF SHADY POINT, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2011

Budget Law

The Town prepares its annual operating budget under the provisions of the Municipal Budget Act (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1.
 - b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
 - c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the Town Council.
 - d. The adopted budget is filed with the Office of State Auditor and Inspector.
- The legal level of control at which expenditures may not legally exceed appropriations is by department within a fund.

All transfers of appropriations between departments and supplemental appropriations require Town Council approval. The Mayor may transfer appropriations between object categories within a department without Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

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

To the Board of Trustees
Town of Shady Point, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the Town of Shady Point, State of Oklahoma, as of June 30, 2011, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles and which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 4, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in accordance with Oklahoma Statutes.

Internal Control Over Financial Reporting

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

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are listed as Items 11-01 & 11-02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Shady Point's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of management, the board of trustees, others within the entity, USDA Rural Development and the Oklahoma State Auditor and Inspector's office and is not intended to be and should not be used by anyone other than these specified parties.

Kershaw CPA & Associates, P.C.
Kershaw CPA & Associates, PC

October 4, 2012

TOWN OF SHADY POINT, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2011

INTERNAL CONTROL FINDINGS

Item 11-01 - Segregation of Duties

Criteria - The segregation of duties is important to have adequate control over financial assets.

Condition - The Town has the same employees performing work normally segregated between two or more employees, including receiving funds and posting those funds to the town's books. This is a repeat condition from the prior years.

Cause - The Town's small size limits the amount of staffing needed to properly segregate the clerk and treasurer functions.

Effect - The lack of segregation of duties could increase the risk that misstatements material to the financial statements could occur and not be detected within a timely manner.

Recommendation - The lack of segregation of duties is a common deficiency in Town's the size of Shady Point. The governing body should be aware of the increased risk and develop policies and procedures to reduce the effect of the internal control deficiency.

Response - The Board continues to be actively involved in the operations of the Town.

Item 11-02 - Deposits

Criteria - Daily bank deposits reduce the risk of lost or stolen cash on hand.

Condition - Cash receipts from some sources are not being deposited on a daily basis. During the current audit, it was noted that deposits of revenue and miscellaneous revenues continue to be held in some cases for extended periods.

Cause - The cost of fuel for going to the bank to make daily deposits is such that the Town is not cost effectively able to make daily deposits.

Effect - These conditions result in weakened control over cash receipts and could result in excess cash being maintained on-hand during the month.

Recommendation - All cash receipts should be deposited daily and not retained on-site.

Response - At this time the Town is not able to cost effectively make such deposits.