

AUDIT REPORT
TOWN OF COLCORD, OKLAHOMA
JUNE 30, 2011



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

TOWN OF COLCORD, OKLAHOMA
JUNE 30, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION:	
INDEPENDENT AUDITOR'S REPORT	4-5
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
EXHIBIT A STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	6
EXHIBIT B STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	7
Fund Financial Statements:	
EXHIBIT C BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	8
EXHIBIT D STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	9-10
EXHIBIT E STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	11
EXHIBIT F STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	12
EXHIBIT G STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	13
NOTES TO THE FINANCIAL STATEMENTS	14-23
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	24-25
SCHEDULE OF FINDINGS	26-28
OTHER SUPPLEMENTARY INFORMATION:	
EXHIBIT H COMBINING BALANCE SHEET - NONMAJOR	

TOWN OF COLCORD, OKLAHOMA
JUNE 30, 2011

	GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	29
EXHIBIT I	COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	30

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 Town Council
Town of Colcord, Oklahoma

I 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 Colcord, Oklahoma, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Town of Colcord, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Colcord, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, 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.

As discussed in Note 5 to the financial statements, the Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for my review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental & Business-Type Activities is not readily determinable.

In my opinion, except for the effects, if any, on the financial statements of improper capital asset recordkeeping preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Colcord, Oklahoma, as of June 30, 2011, and the changes in 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, I have also issued my report dated May 21, 2012, on my consideration of the Town of Colcord, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations,

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

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 my audit.

The Town of Colcord has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However the Town has not presented the Management's Discussion and Analysis or Budgetary Comparison Information required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Colcord's basic financial statements. The introductory and the other supplementary information sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in my audit of the basic financial statements, and accordingly, I do not express an opinion thereon.

Robert E. Kershaw
Certified Public Accountant

May 21, 2012

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

	Governmental Activities	Business-Type Activities	2011 Total	2010 Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 139,869	\$ 13,019	\$ 152,888	\$ 150,160
Total Current Assets	139,869	13,019	152,888	150,160
Restricted Assets:				
Cash and cash equivalents	-	53,080	53,080	49,438
Total Current Assets	-	53,080	53,080	49,438
Capital Assets:				
Land	-	95,745	95,745	95,745
Other Capital Assets, Net of Accum. Depr.	334,653	1,272,206	1,606,859	1,624,282
Total Capital Assets	334,653	1,367,951	1,702,604	1,720,027
TOTAL ASSETS	474,522	1,434,050	1,908,571	1,919,626
LIABILITIES				
Current Liabilities:				
Current Portion of Long-Term Debt	-	15,275	15,275	14,790
Customer Meter Deposits Payable	-	36,008	36,008	30,131
Total Current Liabilities	-	51,283	51,283	44,921
Long-Term Liabilities:				
Notes Payable	-	396,680	396,680	412,269
Total Long-Term Liabilities	-	396,680	396,680	412,269
TOTAL LIABILITIES	-	447,962	447,962	457,190
NET ASSETS				
Invested in capital assets, net of related debt	334,653	955,997	1,290,650	1,292,969
Restricted for:				
Debt Service	-	53,080	53,080	49,438
Other Purposes	-	-	-	-
Unrestricted	139,869	(22,990)	116,879	120,030
TOTAL NET ASSETS	\$ 474,522	\$ 986,087	\$ 1,460,609	\$ 1,462,437

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General Government	\$ 113,474	\$ -	\$ -	\$ -	\$ (113,474)
Public Safety	18,248	26,781	4,398	-	12,931
Highways & Streets	10,288	-	-	-	(10,288)
Debt Service - Interest	-	-	-	-	-
Total Governmental Activities	142,009	26,781	4,398	-	(110,831)
Business-type activities:					
Water, Sewer & Sanitation	251,305	189,424	-	20,750	(41,132)
Total Business-type Activities	251,305	189,424	-	20,750	(41,132)
Total	\$ 393,315	\$ 216,204	\$ 4,398	\$ 20,750	\$ (151,963)

Changes in Net Assets:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (110,831)	\$ (41,132)	\$ (151,963)
General revenues:			
Taxes:			
Franchise Tax	12,344	-	12,344
Sales Tax	81,177	-	81,177
Use Tax	15,297	-	15,297
Cigar Tax	1,199	-	1,199
Intergovernmental:			
Alcoholic Beverage Tax	7,974	-	7,974
Gasoline Excise Tax	1,795	-	1,795
Motor Vehicle Tax	5,277	-	5,277
Contributions	10,528	-	10,528
Miscellaneous Income	17,273	-	17,273
Interest Income	30	34	64
Transfers - Internal Activity	(33,259)	33,259	-
Total general revenues & transfers	119,634	33,293	152,927
Changes in net assets	8,803	(7,839)	964
Net assets - beginning	466,029	996,407	1,462,436
Net assets - prior year adjustment	(310)	(2,481)	(2,791)
Net assets - ending	\$ 474,522	\$ 986,087	\$ 1,460,609

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF COLCORD, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Street & Alley Fund	Fire Dept Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 42,761	\$ 71,566	\$ 21,641	\$ 3,900	\$ 139,869
TOTAL ASSETS	\$ 42,761	\$ 71,566	\$ 21,641	\$ 3,900	\$ 139,869
LIABILITIES & FUND EQUITY					
LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	-	71,566	-	-	71,566
Committed	-	-	-	-	-
Assigned	-	-	21,641	3,900	25,541
Unassigned	42,761	-	-	-	42,761
TOTAL FUND BALANCES	42,761	71,566	21,641	3,900	139,869
TOTAL LIABILITIES AND FUND BALANCES	\$ 42,761	\$ 71,566	\$ 21,641	\$ 3,900	\$ 139,869

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 \$360,510, net of accumulated depreciation of \$25,857, are not financial resources and, therefore, are not reported in the funds. 334,653

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. -

Net Assets of Governmental Activities **\$ 474,522**

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

	General Fund	Street & Alley Fund	Fire Department Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Franchise Tax	\$ 12,344	\$ -	\$ -	\$ -	\$ 12,344
Sales Tax	81,177	-	-	-	81,177
Use Tax	15,297	-	-	-	15,297
Cigar Tax	1,199	-	-	-	1,199
Intergovernmental:					
Alcoholic Beverage Tax	7,974	-	-	-	7,974
Gasoline Excise Tax	1,795	-	-	-	1,795
Motor Vehicle Tax	5,277	-	-	-	5,277
Grants	-	-	4,398	-	4,398
Fines & Forfeitures	26,781	-	-	-	26,781
Contributions	-	-	2,454	8,074	10,528
Miscellaneous Income	7,461	3	9,809	-	17,273
Interest Income	-	30	-	-	30
TOTAL REVENUES	159,304	33	16,661	8,074	184,071
EXPENDITURES:					
Current:					
General Government	112,149	-	-	1,325	113,474
Public Safety	-	-	10,907	7,341	18,248
Highways & Streets	-	10,288	-	-	10,288
Debt Service	-	-	-	-	-
Capital Outlay	6,855	-	4,500	-	11,355
TOTAL EXPENDITURES	119,004	10,288	15,407	8,666	153,365
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	40,299	(10,255)	1,254	(592)	30,707
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	6,331	32,655	720	360	40,067
Operating Transfers Out	(61,662)	(10,878)	(785)	-	(73,326)
Capital Debt Proceeds	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(55,331)	21,776	(65)	360	(33,259)
NET CHANGES IN FUND BALANCES	(15,032)	11,522	1,189	(231)	(2,552)
FUND BALANCE - BEGINNING OF YEAR	\$ 57,978	60,045	20,669	4,040	142,731
FUND BALANCE - PRIOR YEAR ADJUSTMENT	(185)	-	(217)	92	(310)
FUND BALANCE - END OF YEAR	\$ 42,761	\$ 71,566	\$ 21,641	\$ 3,900	139,869

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$	(2,552)
 Amounts reported for governmental activities in the Statement of Activities are different because:		
 Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Capital debt obligation principal payments		-
 Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Assets:		
Capital Debt Proceeds		-
 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		11,355
Depreciation expense		-
		-
Change in Net Assets of Governmental Activities	\$	8,803

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF COLCORD, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2011**

	Colcord Public Works Authority Enterprise Fund June 30, 2011	Memo Only June 30, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 13,019	\$ 7,429
Total Current Assets	<u>13,019</u>	<u>7,429</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	53,080	49,438
Land	95,745	95,745
Other capital assets, net of accumulated depreciation	<u>1,272,206</u>	<u>1,300,985</u>
Total Noncurrent Assets	<u>1,421,031</u>	<u>1,446,168</u>
TOTAL ASSETS	<u>1,434,050</u>	<u>1,453,597</u>
LIABILITIES & FUND EQUITY		
Current Liabilities:		
Current Portion of Long-Term Debt	15,275	14,790
Customer Meter Deposits Payable	<u>36,008</u>	<u>30,131</u>
Total Current Liabilities	<u>51,283</u>	<u>44,921</u>
Noncurrent Liabilities:		
Notes Payable	<u>396,680</u>	<u>412,269</u>
Total Noncurrent Liabilities	<u>396,680</u>	<u>412,269</u>
TOTAL LIABILITIES	<u>447,962</u>	<u>457,190</u>
NET ASSETS:		
Invested in capital assets, net of related debt	955,997	969,671
Restricted for debt service	53,080	49,438
Unrestricted	<u>(22,990)</u>	<u>(22,701)</u>
TOTAL NET ASSETS	<u>\$ 986,087</u>	<u>\$ 996,407</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF COLCORD, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Colcord Public Works Authority Enterprise Fund June 30, 2011	Memo Only June 30, 2010
<u>OPERATING REVENUES:</u>		
Charges for Services	\$ 189,253	\$ 164,457
Miscellaneous Income	170	-
TOTAL OPERATING REVENUES	189,424	164,457
<u>OPERATING EXPENSES:</u>		
Electric Purchased	29,805	27,368
Waste Management	9,944	9,486
Salaries & related expenses	89,878	66,520
Maintenance & Operations	52,672	46,061
Depreciation	51,957	51,578
TOTAL OPERATING EXPENSES	234,256	201,013
NET OPERATING INCOME (LOSS)	(44,832)	(36,556)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	34	57
Interest Expense	(17,050)	(17,556)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(17,016)	(17,499)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(61,848)	(54,055)
Capital Contributions	20,750	-
Transfers in	40,325	15,530
Transfers out	(7,066)	(2,895)
CHANGE IN NET ASSETS	(7,839)	(41,420)
TOTAL NET ASSETS - BEGINNING	996,407	1,035,898
TOTAL NET ASSETS - PRIOR YEAR ADJUSTMENT	(2,481)	1,930
TOTAL NET ASSETS - ENDING	\$ 986,087	\$ 996,407

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

	<u>June 30, 2011</u>	<u>Memo Only June 30, 2010</u>
<u>Net Cash Flows from Operating Activities:</u>		
Cash Receipts from Customers	\$ 189,424	\$ 164,457
Payments to Suppliers & Laborers	(182,299)	(149,435)
Customer Meter Deposits Received, Net of Refunded	5,877	6,896
Net Cash Provided (Used) by Operating Activities	<u>13,003</u>	<u>21,918</u>
<u>Net Cash Flows from Non-Capital Financing Activities:</u>		
Transfers to other funds	(7,066)	(2,895)
Transfers from other funds	40,325	15,530
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>33,259</u>	<u>12,635</u>
<u>Net Cash Flows from Capital & Related Financing Activities:</u>		
Additions to Capital Assets	(23,179)	(6,113)
Capital Contributions	20,750	-
Loan Proceeds received	-	-
Principal paid on Notes Payable	(15,105)	(13,974)
Interest paid	(17,050)	(17,556)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(34,583)</u>	<u>(37,643)</u>
Net Cash Flows from Investing Activities:		
Additions to Restricted Cash & Cash Equivalents	(3,642)	(2,750)
Interest Income	34	57
Net Cash Provided (Used) by Investing Activities	<u>(3,608)</u>	<u>(2,693)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,071	(5,783)
Cash & Cash Equivalents, Beginning of Year	7,429	11,283
Cash & Cash Equivalents, Prior Year Adjustment	(2,481)	1,930
Cash & Cash Equivalents, End of Year	<u>\$ 13,019</u>	<u>\$ 7,429</u>
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>		
Operating Income (Loss)	\$ (44,832)	\$ (36,556)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	51,957	51,578
(Increase)Decrease in Accounts Receivable	-	-
(Increase)Decrease in Prepaid Insurance	-	-
Increase(Decrease) in Customer Meter Deposits Payable	5,877	6,896
Net Cash Provided (Used) by Operating Activities	<u>\$ 13,003</u>	<u>\$ 21,918</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF COLCORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Town of Colcord, Oklahoma is incorporated and operates under a statutory town form of government as directed by Title 11 of the Oklahoma statutes. The duties of the mayor are set forth in Title 11 and the Town is governed by five board members each representing a ward within the Town. Major operations include police and fire protection, parks and recreation, public works, sanitation and streets, and general administrative services.

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 charges to external parties for goods or services.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, cash receipts, cash disbursements, and certain accruals. The Town maintains a separate bank account for each fund. All bank accounts are at institutions, which are FDIC insured.

Governmental Fund Types

The General Fund is the primary operating fund of the Town. It accounts for all financial resources of general government, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditures. Special revenue funds consist of the Fire Department, Street & Alley, First Responder and Civil Defense funds.

Proprietary Fund Types

The PWA Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing services, such as water, sewer and trash disposal, on a continuing basis, are financed through user charges, paid by the general public. Proprietary fund types utilize the modified cash basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All proprietary fund fixed assets are valued at estimated historical cost, or if contributed

TOWN OF COLCORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

property, at its estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses: renewals and betterments are capitalized.

C. Total Columns (Memorandum Only) & Beginning Fund Balances

Total Columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

D. Basis of Accounting

The Town of Colcord prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Governmental Fund types recognize revenues, expenditures, and liabilities when received or paid. Grant income is recognized when received.

E. Budget and Budgetary Procedures

The Town's annual operating budget represents appropriations as authorized by the Board of Trustees and County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The Town's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board of Trustees and County Excise Board. The legal level of control of the budget is the expenditures category within a department. By law, unencumbered appropriations lapse after September 30 following the end of the fiscal year; therefore, claims on such appropriations may be paid until that time.

F. Cash and Cash Equivalents

The statement of cash flows for proprietary fund types explains the change in cash and cash equivalents during the fiscal period. For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

G. Accounts Receivable

Management has not established an allowance for uncollectible accounts receivable. Accounts are written off as bad debt expense when it is deemed that they are uncollectible. The allowance for doubtful accounts was considered immaterial for reporting purposes.

TOWN OF COLCORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded as historical cost or estimated historical cost if purchased or constructed. The capitalization threshold has been set at \$1,000.00. Donated assets are recorded at estimated fair market values as of the date of the donation.

The costs of normal maintenance are repairs that do not add to the value or capacity of the asset or materiality extend assets lives are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Water Plant & Sewer System	40
Automobiles & Equipment	5
Building	20

I. Equity Classification

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

1. 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 borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net assets—Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government

TOWN OF COLCORD, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

through formal action of the highest level of decision making authority and does not lapse at year-end.

- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purposes of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Street & Alley Fund	Commercial Vehicle Tax Gasoline Excise Tax Grant Income
Fire Department Fund	Grant Income Membership Fees Contributions

J. Revenues, expenditures and expenses

Property Tax

For the year ended June 30, 2011, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types -	By Character: Current (further classified by activity) Capital Outlay
Proprietary Fund Types -	By Operating and Non-Operating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

TOWN OF COLCORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

K. In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statement should include:
 - a. A Management Discussion and Analysis (MD&A) section providing analysis of the Town's overall financial position and results of operations. However, the Town has chosen not to present the required MD&A for the current year.
 - b. Financial statements prepared using full accrual accounting for all of the Town's activities, except for including the General capital assets or infrastructure (roads, bridges, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Town has elected to implement the general provisions of the Statement and report infrastructure acquired after July 1, 2003 as provided by GASB standards.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

M. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at yearend are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as advances to/from other funds." Any residual balances outstanding between governmental activities and business-type activities have been eliminated in the presentation of the government-wide financial statements.

N. Compensated Absences

At fiscal year end, no determination of the aggregate dollar value of vacation or sick pay had been made. The Town's position is that any accrued benefits are not significant and would not materially affect the financial statements.

O. Memorandum Only

TOWN OF COLCORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

The "Memorandum Only" captions above the total columns mean that totals are presented for overview information purposes only.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal & Contractual Provisions

The annual budget required to be prepared and filed with the State Auditor and Inspector's office has not been prepared.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the Town for this fiscal year.

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2011, the Town held deposits of approximately \$205,968 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

TOWN OF COLCORD, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - RESTRICTED ASSETS

Payments into a reserve account are required to meet the requirement of USDA Rural Development. The Colcord Public Works Authority is also required to deposit \$41.00, \$76.00, and \$118.00 per month into a Debt Reserve Account until \$28,092.00 is accumulated for USDA Rural Development. These reserve accounts may be combined and should only be used for operation in the event of an emergency and after approval of the USDA Rural Development. The Authority is still making the required monthly payments to the reserve fund which is sufficiently funded at June 30, 2011.

Restricted cash represents amounts maintained in separate bank accounts for the purpose of segregating funds. Restricted cash consisted of the following:

Consumer Meter Deposits	\$32,717
Debt Reserve	<u>20,363</u>
Total Restricted Cash	<u>\$53,080</u>

NOTE 5 - CAPITAL ASSETS

The governmental fund type operations have not kept detailed capital assets records. These assets would include public domain infrastructure such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Capital assets include furniture, fixtures and equipment. No depreciation expense has been provided on such assets.

The proprietary fund also does not keep detailed capital asset records. The capital assets included in the financial statements do not reflect all capital assets owned by the PWA. For the proprietary fund type capital assets, the sale or disposal of such assets is recorded by removing cost and accumulated depreciation from the accounts, and charging the resulting gain or loss to income. Depreciation has been calculated on the sewer system using the straight-line method with an estimated useful life of 40 years.

Capital asset activity for the Authority, for the fiscal year ended June 30, 2011, was as follows:

TOWN OF COLCORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

	6/30/10 Balance	Additions	Deletions	6/30/11 Balance
Land	\$ 95,745	\$ -	\$ -	\$ 95,745
Buildings	9,692	-	-	9,692
Furniture & Equipment	135,673	-	-	135,673
Infrastructure	2,055,108	23,179	-	2,078,286
Total Capital Assets	2,296,218	23,179	-	2,319,396
Less: Accum. Depreciation	(899,488)	(51,957)	-	(951,445)
Net Capital Assets	<u>\$ 1,396,730</u>	<u>\$ (28,779)</u>	<u>\$ -</u>	<u>\$ 1,367,951</u>

Depreciation expense for the year ended June 30, 2011, aggregating \$51,957, has been computed on assets with a cost basis totaling \$2,319,396.

NOTE 6 - LONG-TERM DEBT

The Colcord Public Works Authority has the authority to incur long-term debt as needed for operations, maintenance, and expansion.

The Authority has three notes payable to the United States Department of Agriculture Rural Development (USDA), payable

<u>Monthly Payment</u>	<u>Interest Rate</u>	<u>Date of Loan</u>
\$ 401.00	5.00%	9/10/74
\$1,181.00	4.50%	3/25/98
\$ 759.00	4.50%	6/21/01

The Town of Colcord Public Works Authority has a note payable to the Oklahoma Department of Commerce, payable in monthly installments of \$312.50. This note is an interest free loan, payable in 240 monthly payments. The first payment was due by March 2002.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

Notes Payable:	Balance at June 30, 2010	Additions	Deductions	Balance at June 30, 2011
USDA Rural Development #1	\$ 9,386.91	\$ -	\$ (4,443.38)	\$ 4,943.53
USDA Rural Development #2	221,974.73	-	(4,270.00)	217,704.73
USDA Rural Development #3	151,697.34	-	(2,328.96)	149,368.38
Department of Commerce	44,000.00	-	(4,062.50)	39,937.50
Total Long-Term Debt	<u>\$ 427,058.98</u>	<u>\$ -</u>	<u>\$ (15,104.84)</u>	<u>\$ 411,954.14</u>

Debt Service Requirements to Maturity

USDA Rural Development #1:

FYE June 30,	Principal	Interest	Total
2012	\$ 4,670.29	\$ 141.71	\$ 4,812.00
2013	273.24	1.14	274.38
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017-2021	-	-	-
	<u>\$ 4,943.53</u>	<u>\$ 142.85</u>	<u>\$ 5,086.38</u>

TOWN OF COLCORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

USDA Rural Development #2:

FYE June 30,	Principal	Interest	Total
2012	\$ 4,437.84	\$ 9,734.16	\$ 14,172.00
2013	4,668.50	9,503.50	14,172.00
2014	4,882.99	9,289.01	14,172.00
2015	5,107.30	9,064.70	14,172.00
2016	5,317.60	8,854.40	14,172.00
2017-2021	30,595.62	40,264.38	70,860.00
2022-2026	38,302.33	32,557.67	70,860.00
2027-2031	47,950.62	22,909.38	70,860.00
2032-2036	60,027.09	10,832.91	70,860.00
2037-2041	16,414.84	510.78	16,925.62
	<u>\$ 217,704.73</u>	<u>\$ 153,520.89</u>	<u>\$ 371,225.62</u>

USDA Rural Development #3:

FYE June 30,	Principal	Interest	Total
2012	\$ 2,416.48	\$ 6,691.52	9,108.00
2013	2,545.92	6,562.08	9,108.00
2014	2,662.89	6,445.11	9,108.00
2015	2,785.20	6,322.80	9,108.00
2016	2,896.09	6,211.91	9,108.00
2017-2021	16,680.09	28,859.91	45,540.00
2022-2026	20,881.37	24,658.63	45,540.00
2027-2031	26,141.17	19,398.83	45,540.00
2032-2036	32,720.82	12,819.18	45,540.00
2037-2041	39,638.35	4,590.55	44,228.90
	<u>\$ 149,368.38</u>	<u>\$ 122,560.52</u>	<u>\$ 271,928.90</u>

Department of Commerce:

FYE June 30,	Principal	Interest	Total
2012	\$ 3,750.00	\$ -	\$ 3,750.00
2013	3,750.00	-	3,750.00
2014	3,750.00	-	3,750.00
2015	3,750.00	-	3,750.00
2016	3,750.00	-	3,750.00
2017-2021	18,750.00	-	18,750.00
2022-2026	1,837.50	-	1,837.50
	<u>\$ 39,337.50</u>	<u>\$ -</u>	<u>\$ 39,337.50</u>

NOTE 7 - FUND EQUITY

As described in Note 1 above, equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt
2. Restricted net assets
3. Unrestricted net assets

The Town's restricted net assets are described in Note 4 above.

NOTE 8 - CONTINGENCIES

Litigation

The Town currently has no pending litigation.

TOWN OF COLCORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Federally Assisted Programs

In the normal course of operations, the Town participates in various federal or state/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.

NOTE 9 - INTERFUND TRANSACTIONS

Interfund operating transfers for the year ended June 30, 2011, were as follows:

OPERATING TRANSFERS:	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Street & Alley Fund	\$ -	\$ 31,404.75
Fire Department Fund	515.08	720.00
First Responders Fund	-	310.46
Colcord Public Works Authority	5,816.38	29,227.01
Total General Fund	<u>\$ 6,331.46</u>	<u>\$ 61,662.22</u>
SPECIAL REVENUE FUNDS:		
Street & Alley Fund:		
General Fund	\$ 31,404.75	\$ -
Colcord Public Works Authority	1,250.00	10,878.26
First Responders Fund:		
General Fund	310.46	-
Fire Department	50.00	-
Fire Department Fund:		
General Fund	720.00	515.08
First Responders Fund	-	50.00
Colcord Public Works Authority	-	220.00
Total Special Revenue Funds	<u>\$ 33,735.21</u>	<u>\$ 11,663.34</u>
ENTERPRISE FUNDS		
Colcord Public Works Authority		
General Fund	\$ 29,227.01	\$ 5,816.38
Street & Alley Fund	10,878.26	1,250.00
Fire Department Fund	220.00	-
Total Enterprise Funds	<u>\$ 40,325.27</u>	<u>\$ 7,066.38</u>
	<u>\$ 80,391.94</u>	<u>\$ 80,391.94</u>

NOTE 10 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2011.

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 Town Council
Town of Colcord, Oklahoma

I 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 Colcord, 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 my report thereon dated May 21, 2012, which was qualified for the effect on the basic financial statements of the omission of depreciation and capital assets. The Town of Colcord has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the Town did not present the required MD&A or Budgetary Comparison Information. I conducted my 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

In planning and performing my audit, I considered the Town of Colcord's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Colcord's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Colcord'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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be

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

material weakness, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that I consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are listed as Items 11-01, 11-02, 11-03 and 11-04. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Colcord's financial statements are free of material misstatement, I 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 my audit, and accordingly I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards, which is included in the Schedule of Findings as Item 11-05. The results of my tests disclosed no instances of other matters that are required to be reported under Government Auditing Standards.

Town of Colcord's response to the findings identified in my audit is described in the accompanying Schedule of Findings. I did not audit Town of Colcord's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the town council and management of the Town of Colcord, Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.

Robert E. Kershaw
Certified Public Accountant

May 21, 2012

TOWN OF COLCORD, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2011

Internal Control Findings:

Item 11-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

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

Item 11-02 - Revenue Classifications & Documentation

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, ensuring validity of financial records and reports, promoting adherence to policies, procedures, regulations and laws, and promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: The PWA did not have strong internal controls in place for ensuring validity of financial records and reports, and in some instances internal control is virtually non-existent.

Cause/Effect: Due to the weak internal control system, the revenue for the year was not properly divided into categories. PWA sales revenues, franchise fees transferred from the General Fund and other revenues were not properly identified on deposit slips or in other revenue records. Revenue documentation needed to perform some audit procedures was not adequately maintained. However, other evidence including bank statements and previous year's comparisons were used in audit procedures which show that if there were any discrepancy in total revenue it is of an immaterial amount.

TOWN OF COLCORD, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2011

Recommendation: All revenue should be properly classified and documented. The Board should continue to be actively involved in the operations of the Authority.

Response: The Town has experienced employee turnover, resulting in the current management being unable to locate items kept on file by previous management. Therefore, the documentation problem is expected to be improved in future years.

Item 11-03: Meter Deposits

Criteria: It is the responsibility of the Town to properly report and account for the financial information.

Condition: The Meter Deposit Liability has not been accurately posted with all transactions. The Authority has a meter deposit ledger that can be kept in its WaterWorks program. The report has to be printed monthly and was not printed for any of the twelve months included in the current fiscal year.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's balance sheet could be incorrect with respect to the deposit account.

Recommendation: All deposit refunds and final bills should be accurately posted to reconcile the liability account at yearend. A Meter Deposit Ledger should be properly maintained so that an accurate liability amount can be reported.

Response: The Town is aware of the problem.

Item 11-04: Bank Deposits

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

Condition: Receipts are not being deposited on a daily basis. During the current audit, it was noted that deposits of revenues continue to be held in some cases for extended periods. Some franchise tax receipts from early in the fiscal year that were confirmed with outside entities have still not been deposited at yearend.

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 or checks being misplaced or lost.

Recommendation: All 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.

TOWN OF COLCORD, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2011

Compliance Findings:

Item 11-05: Water and Sewer Recordkeeping

Criteria: The loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the Authority to maintain income and expense records for water and sewer systems separately.

Condition: The Authority maintains separate billing records for water and sewer income. However, the Authority does not maintain separate income and expense accounts for the water and sewer systems.

Cause/Effect: This leaves the Authority out of compliance with the Rural Development Loan agreement as the USDA will no longer be accepting audits that do not have Water and/or Sewer Records broken out separately.

Response: The Authority was not aware of the requirement until after the fiscal yearend.

**TOWN OF COLCORD, OKLAHOMA
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>SPECIAL REVENUE FUNDS</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Civil Defense Fund</u>	<u>First Responders Fund</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,771	\$ 1,129	\$ 3,900
TOTAL ASSETS	<u>\$ 2,771</u>	<u>\$ 1,129</u>	<u>\$ 3,900</u>
<u>LIABILITIES & FUND BALANCES</u>			
LIABILITIES:			
Accounts Payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	2,771	1,129	3,900
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>2,771</u>	<u>1,129</u>	<u>3,900</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,771</u>	<u>\$ 1,129</u>	<u>\$ 3,900</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF COLCORD, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS		Total Nonmajor Governmental Funds
	Civil Defense Fund	First Responders Fund	
REVENUES:			
Taxes:			
Sales Tax	\$ -	\$ -	\$ -
Intergovernmental:			
Gasoline Excise Tax	-	-	-
Motor Vehicle Tax	-	-	-
Grants	-	-	-
Charges for Services	-	-	-
Contributions	2,750	5,324	8,074
Miscellaneous	-	-	-
Interest Income	-	-	-
TOTAL REVENUES	2,750	5,324	8,074
EXPENDITURES:			
General Government	1,325	-	1,325
Public Safety	-	7,341	7,341
Highways & Streets	-	-	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	1,325	7,341	8,666
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,425	(2,016)	(592)
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	-	360	360
Operating Transfers Out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	360	360
NET CHANGES IN FUND BALANCES	1,425	(1,656)	(231)
FUND BALANCE - BEGINNING OF YEAR	1,346	2,693	4,040
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	92	92
FUND BALANCE - END OF YEAR	\$ 2,771	\$ 1,129	\$ 3,900

See Accountant's Audit Report & Notes Which Accompany These Financial Statements