

**Town of Alex, Oklahoma**

**Financial Statements and Report  
of Independent Accountants**

**As of and For the Year Ending  
June 30, 2012**

## **Table of Contents**

Report of Independent Accountant .....	1
<b>Government Wide Financial Statements</b>	
Statement of Net Assets – Modified Cash Basis .....	2
Statement of Activities – Modified Cash Basis .....	3
<b>Fund Financial Statements</b>	
Balance Sheet-Governmental Funds - Modified Cash Basis .....	4
Statement of Revenues, Expenditures and Changes in in Fund Balances-Governmental Funds - Modified Cash Basis.....	5
Statement of Net Assets-Proprietary Funds - Modified Cash Basis .....	6
Statement of Revenue over Expenditures and Changes in Retained Earnings-Proprietary Funds - Modified Cash Basis .....	7
Statement of Cash Flows - Modified Cash Basis.....	8
Notes to the Basic Financial Statements .....	9-14
<b>Required Supplementary Information</b>	
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	15-16
Schedule of Current Findings and Responses .....	17

# Casey J. Russell CPA, Inc.

Casey J. Russell, C.P.A., M.B.A.  
Autumn L. Williams, C.P.A., Esq.  
Member AICPA & OSCPA

2812 NW 57<sup>th</sup>, Ste. 102  
Oklahoma City, Oklahoma 73112

Phone: (405) 607-8743  
Fax: (405) 607-8744  
Email: caseycpa@hotmail.com

## Independent Auditor's Report

To the Board of Trustees  
Town of Alex, 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 Alex, Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Town prepares its annual financial statements and schedules on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the Town of Alex, Oklahoma, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2012, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

  
August 17, 2012

Town of Alex  
Statement of Net Assets - Modified Cash Basis  
June 30, 2012

	Governmental Activities	Business-Type Activities	Totals
<b>CURRENT ASSETS</b>			
Cash in Bank - Unrestricted	\$ 14,988.43	\$ 3,216.14	\$ 18,204.57
Cash in Bank - Restricted	-	80,085.82	80,085.82
<b>Total Current Assets</b>	<u>14,988.43</u>	<u>83,301.96</u>	<u>98,290.39</u>
<b>PROPERTY AND EQUIPMENT</b>			
Capital Assets, net	<u>160,659.44</u>	<u>1,061,597.01</u>	<u>1,222,256.45</u>
<b>TOTAL ASSETS</b>	<u>\$ 175,647.87</u>	<u>\$ 1,144,898.97</u>	<u>\$ 1,320,546.84</u>
<b>CURRENT LIABILITIES</b>			
Meter Deposits	\$ -	\$ 21,077.25	\$ 21,077.25
Current Portion of Long Term Debt	-	<u>32,318.09</u>	<u>32,318.09</u>
<b>Total Current Liabilities</b>	<u>-</u>	<u>53,395.34</u>	<u>53,395.34</u>
<b>LONG-TERM LIABILITIES</b>			
Notes Payable	<u>-</u>	<u>372,249.73</u>	<u>372,249.73</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>425,645.07</u>	<u>425,645.07</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	160,659.44	657,029.19	817,688.63
Restricted for Debt Service	-	56,930.78	56,930.78
Restricted for Other Purposes	-	21,077.25	21,077.25
Unrestricted	<u>14,988.43</u>	<u>(15,783.32)</u>	<u>(794.89)</u>
<b>TOTAL NET ASSETS</b>	<u>175,647.87</u>	<u>719,253.90</u>	<u>894,901.77</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 175,647.87</u>	<u>\$ 1,144,898.97</u>	<u>\$ 1,320,546.84</u>

Town of Alex  
Statement of Activities - Modified Cash Basis  
For the Year Ending June 30, 2012

Functions/Programs	Net (expense) revenue and Changes in net assets					Total
	Expenses	Program Revenues		Primary Government		
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	
Primary Government						
Governmental Activities						
General Government	306,357.44	214,670.80	-	(91,686.64)	-	(91,686.64)
Street and Alley	5,769.58	-	-	(5,769.58)	-	(5,769.58)
Park	1,450.00	-	-	(1,450.00)	-	(1,450.00)
Community Center	300.00	-	-	(300.00)	-	(300.00)
<b>Total Governmental Activities</b>	<b>313,877.02</b>	<b>214,670.80</b>	<b>-</b>	<b>(99,206.22)</b>	<b>-</b>	<b>(99,206.22)</b>
Business-Type Activities						
Water Department	128,372.65	77,168.78	-	-	(51,203.87)	(51,203.87)
Sewer Department	47,480.29	39,286.22	-	-	(8,194.07)	(8,194.07)
Garbage Department	55,620.00	69,273.40	-	-	13,653.40	13,653.40
Animal Control	4,079.73	4,848.00	-	-	768.27	768.27
<b>Total Business-Type Activities</b>	<b>231,472.94</b>	<b>185,728.40</b>	<b>-</b>	<b>-</b>	<b>(44,976.27)</b>	<b>(45,744.54)</b>
<b>Total Primary Governmen</b>	<b>\$ 545,349.96</b>	<b>\$ 400,399.20</b>	<b>\$ -</b>	<b>\$ (99,206.22)</b>	<b>\$ (44,976.27)</b>	<b>\$ (144,182.49)</b>
General Revenues						
Sales & Use Taxes				89,216.39	-	89,216.39
Franchise Taxes				11,999.11	-	11,999.11
Alcoholic Beverage Taxes				2,119.80	-	2,119.80
Cigar Taxes				1,274.24	-	1,274.24
Motor Vehicle and Gasoline Taxes				5,558.26	-	5,558.26
Interest Income				36.28	-	36.28
Transfers in/out				(30,794.89)	30,794.89	-
<b>Total General Government Revenue</b>				<b>79,409.19</b>	<b>30,794.89</b>	<b>110,204.08</b>
Change in Net Assets				(19,797.03)	(14,181.38)	(33,978.41)
Net Assets Beginning				195,444.90	733,435.28	928,880.18
Net Assets Ending				<b>\$ 175,647.87</b>	<b>\$ 719,253.90</b>	<b>\$ 894,901.77</b>

The accompanying footnotes are an integral part of these financial statements

Town of Alex  
 Governmental Funds  
 Balance Sheet - Modified Cash Basis  
 June 30, 2012

	General Fund	Special Revenue Fund	Total
<b>ASSETS</b>			
Cash in Bank - Unrestricted	13,884.75	1,103.68	14,988.43
<b>Total Assets</b>	<b>\$ 13,884.75</b>	<b>\$ 1,103.68</b>	<b>\$ 14,988.43</b>
<b>LIABILITIES</b>			
<b>NET ASSETS</b>			
Unrestricted	13,884.75	1,103.68	14,988.43
<b>TOTAL NET ASSETS</b>	<b>13,884.75</b>	<b>1,103.68</b>	<b>14,988.43</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,884.75</b>	<b>\$ 1,103.68</b>	<b>\$ 14,988.43</b>

*Reconciliation of Fund Financial Statements to  
 Governmental Wide Financial Statements*

Net Assets Unrestricted	\$ 14,988.43
Fixed assets included in the government wide financial statements but excluded in the individual fund financial statements	160,659.44
Net assets per the government wide financial statements	<b>\$ 175,647.87</b>

Town of Alex  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Net Assets - Modified Cash Basis  
For the Year Ending June 30, 2012

	General Fund	Special Revenue Fund	Total
<b>Revenues</b>			
Sales & Use Taxes	\$ 89,216.39	\$ -	\$ 89,216.39
Franchise Taxes	11,999.11	-	11,999.11
Alcoholic Beverage Taxes	2,119.80	-	2,119.80
Motor Vehicle and Gasoline Taxes	-	5,558.26	5,558.26
Cigar Tax	1,274.24	-	1,274.24
Fines and Fees	209,027.04	-	209,027.04
Interest Income	32.68	3.60	36.28
Other Revenues	<u>5,643.76</u>	-	<u>5,643.76</u>
<b>Total Revenues</b>	<b>319,313.02</b>	<b>5,561.86</b>	<b>324,874.88</b>
<b>Expenditures</b>			
General Government	298,620.98	-	298,620.98
Street and Alley	-	5,769.58	5,769.58
Park	1,450.00	-	1,450.00
Community Center	<u>300.00</u>	-	<u>300.00</u>
<b>Total Expenses</b>	<b><u>300,370.98</u></b>	<b><u>5,769.58</u></b>	<b><u>306,140.56</u></b>
<b>Change in Net Assets Before Transfers</b>	<b>18,942.04</b>	<b>(207.72)</b>	<b>18,734.32</b>
Transfers in/out	<u>(30,257.07)</u>	<u>(537.82)</u>	<u>(30,794.89)</u>
<b>Change in Net Assets After Transfers</b>	<b>(11,315.03)</b>	<b>(745.54)</b>	<b>(12,060.57)</b>
<b>Beginning Net Assets</b>	<u>25,199.78</u>	<u>1,849.22</u>	<u>27,049.00</u>
<b>Ending Net Assets</b>	<b><u>\$ 13,884.75</u></b>	<b><u>\$ 1,103.68</u></b>	<b><u>\$ 14,988.43</u></b>

***Reconciliation of Fund Financial Statements to  
Governmental Wide Financial Statements***

Change in Net Assets, Fund Financial Statements	\$ (12,060.57)
Expenditures recored as capital assets in the government wide financial statements but treated as an expense in the fund statements	8,500.00
Depreciation recorded in the governmental wide financial statements not recorded in the fund financial statements	<u>(16,236.46)</u>
<b>Change in Net Assets per the Governmental Wide Financial Statements</b>	<b><u>\$ (19,797.03)</u></b>

Town of Alex  
Proprietary Fund  
Statement of Net Assets - Modified Cash Basis  
June 30, 2012

<b>CURRENT ASSETS</b>	
Cash in Bank - Unrestricted	\$ 3,216.14
Cash in Bank - Restricted	<u>80,085.82</u>
<b>Total Current Assets</b>	<b>83,301.96</b>
 <b>PROPERTY AND EQUIPMENT</b>	
Capital Assets, net	<u>1,061,597.01</u>
 <b>TOTAL ASSETS</b>	 <b><u>\$ 1,144,898.97</u></b>
 <b>CURRENT LIABILITIES</b>	
Meter Deposits	\$ 21,077.25
Current Portion of Long Term Debt	<u>32,318.09</u>
<b>Total Current Liabilities</b>	<b><u>53,395.34</u></b>
 <b>LONG-TERM LIABILITIES</b>	
Notes Payable	<u>372,249.73</u>
 <b>TOTAL LIABILITIES</b>	 <b><u>425,645.07</u></b>
 <b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	657,029.19
Restricted for Debt Service	59,008.57
Restricted for Other Purposes	21,077.25
Unrestricted	<u>(17,861.11)</u>
<b>TOTAL NET ASSETS</b>	<b><u>719,253.90</u></b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$ 1,144,898.97</u></b>

The accompanying footnotes are an integral part of these financial statements

Town of Alex  
Proprietary Funds  
Statement of Activities and Changes in Net Assets - Modified Cash Basis  
For the Year Ending June 30, 2012

<b>Revenues</b>	
Water Charges	\$ 77,168.78
Sewer Fees	39,286.22
Garbage Fees	69,273.40
Animal Control	<u>4,848.00</u>
<b>Total Revenues</b>	<u>190,576.40</u>
<b>Operating Expenses</b>	
Water Department	128,372.65
Sewer Department	47,480.29
Garbage Expenses	55,620.00
Animal Control	<u>4,079.73</u>
<b>Total Operating Expenses</b>	235,552.67
<b>Change in Net Assets</b>	(44,976.27)
Transfers in/out	<u>30,794.89</u>
<b>Change in Net Assets</b>	(14,181.38)
<b>Beginning Net Assets</b>	<u>733,435.28</u>
<b>Ending Net Assets</b>	<u>\$ 719,253.90</u>

Town of Alex  
Proprietary Fund  
Statement of Cash Flows - Modified Cash Basis  
For the Year Ending June 30, 2012

<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 190,576.40
Payments to suppliers	(98,790.27)
Payments to employees	<u>(64,295.45)</u>
<b>Net cash provided by operating activities</b>	<b>27,490.68</b>
 <b>Cash flows from capital and related financing activities</b>	
Proceeds from Loans	8,500.00
Principal paid on long term debt	<u>(39,828.48)</u>
<b>Net cash flows from capital and related financing activities</b>	<b>(31,328.48)</b>
 <b>Cash flows from investing activities</b>	
Purchase of fixed assets	<u>-</u>
<b>Net cash flows from investing activities</b>	<u>-</u>
 <b>Net increase (decrease) in cash</b>	 <b>(3,837.80)</b>
 Cash, Beginning of the Year	 <u>87,139.76</u>
<b>Cash, End of the Year</b>	<b><u>\$ 83,301.96</u></b>
 <i>Reconciliation of change in net assets to net cash provided by operations</i>	
Change in Net Assets	(14,181.38)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	41,672.06
Change in assets and liabilities	
Meter Deposits	-
Deferred Revenue	-
Accrued Interest	-
<b>Net cash provided by operating activities</b>	<b><u>\$ 27,490.68</u></b>
 <b>Cash in Bank - Unrestricted</b>	 <b>\$ 3,216.14</b>
<b>Cash in Bank - Restricted</b>	<b><u>80,085.82</u></b>
<b>Total Cash in Bank</b>	<b><u>\$ 83,301.96</u></b>

The accompanying notes are an integral part of these financial statements

**Town of Alex, Oklahoma**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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

Financial Reporting Entity

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

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2012, the Town had only one component unit, the Alex Municipal Authority.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are grouped into two governmental fund types - general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2012, the Town had governmental funds of general fund, street & alley, fixed asset and long term debt. The proprietary funds consisted of the Alex Municipal Authority.

Basis of Accounting

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

## FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

## GOVERNMENTAL FUNDS

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

### Revenue Recognition

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

### Expenditure Recognition

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

## PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation of costs, such as depreciation, are recorded in proprietary funds. The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable then Government Accounting Standards Board pronouncements are used.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of meter deposits and debt service.

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2012.

### Budget

In accordance with Oklahoma Statutes, Title 68, Section 3002, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code.

**Risk Management**

Significant losses are covered by commercial insurance for all Town operations.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2-Deposits with Financial Institutions**

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Alex is considered a separate entity from the Alex Municipal Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the town of Alex's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of \$250,000 for the governmental funds and \$250,000 for the Alex Municipal Authority. The remaining funds would be categorized as category 3.

**Note 3-Capital Assets and Depreciation**

Capital Asset activity for the year ended June 30, 2012 was as follows:

<u>Governmental Funds</u>	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 14,000	-	-	\$ 14,000
Equipment	135,090	8,500	-	143,590
Buildings and Improvements	186,502	-	-	186,502
Total	335,592			344,092
Accumulated Depreciation	167,197	16,236	-	183,433
Net Assets	<u>\$ 168,395</u>			<u>\$ 160,659</u>

As of June 30, 2012, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available.

Municipal Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Water Tower and Hydrants	\$ 667,687	-	-	\$ 667,687
Buildings and Improvements	710,000	-	-	710,000
Furniture and Equipment	10,841	-	-	10,841
Total	1,388,528			1,388,528
Accumulated Depreciation	285,259	41,672	-	326,931
Net Assets	<u>\$ 1,103,269</u>			<u>\$ 1,061,597</u>

As of June 30, 2012, the Municipal Authority had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available.

Depreciation was recorded as follows: General Government - \$16,236 and Municipal Authority – Water Department \$30,421 and Sewer Department \$11,251.

**Note 4-Notes Payable**

Alex Municipal Authority

As of June 30, 2012, the Alex Municipal Authority had two long-term notes outstanding with the Oklahoma Water Resource Board, a division of the United States Department of Agriculture. Collateral for these loans are the assets and revenues of the water and sewer utility system.

The first note with OWRB has an outstanding balance of \$242,150 and carries an interest rate of 3.55%. Payments are made semi-annually and will mature in August 2024. Principal and interest paid on this note during the year was \$11,350 and \$3,232, respectively. The amount of principal and interest needed for the next five years and till maturity by five year increments is as follows:

	Principal	Interest		
2012/2013	14,740	7,942	Balance, Beginning of year	\$ 253,500
2013/2014	15,268	7,415	Principal Paid during year	<u>11,350</u>
2014/2015	15,815	6,868	Balance, End of Year	<u>\$ 242,150</u>
2015/2016	16,381	6,301		
2016/2017	17,576	5,107		
2017/2022	97,784	15,629		
2022/2025	64,585	48,829		
Total	<u>\$ 242,150</u>	<u>\$ 49,262</u>		

The second note with OWRB has an outstanding balance of \$111,000 and carries an interest rate of 3.60%. Payments are made semi-annually and will mature in August 2029. Principal and interest paid on this note during the year was \$10,000 and \$3,360, respectively. The amount of principal and interest needed for the next five years and till maturity by five year increments is as follows:

	<u>Principal</u>	<u>Interest</u>		
2012/2013	4,440	3,776	Balance, Beginning of year	\$ 111,000
2013/2014	4,602	3,615	Principal Paid during year	<u>10,000</u>
2014/2015	4,769	3,448	Balance, End of Year	<u><u>\$ 101,000</u></u>
2015/2016	4,942	3,275		
2016/2017	5,121	3,095		
2017/2022	28,537	12,546		
2022/2027	34,110	6,973		
2027/2030	14,480	22,495		
Total	<u>\$ 101,000</u>	<u>\$ 59,223</u>		

The Municipal Authority also had a note with Rural Development. This note has an outstanding balance of \$15,748 and carries an interest rate of 4.75%. The monthly payment amount is \$334 and will mature in September 2015. Principal and interest paid on this note during the year was \$3,180 and \$830, respectively. The amount of principal and interest needed for the next five years and till maturity by five year increments is as follows:

	<u>Principal</u>	<u>Interest</u>		
2012/2013	3,332	676	Balance, Beginning of year	\$ 18,928
2013/2014	3,494	514	Principal Paid during year	<u>3,180</u>
2014/2015	3,663	345	Balance, End of Year	<u><u>\$ 15,748</u></u>
2015/2016	5,259	8,769		
Total	<u>\$ 15,748</u>	<u>\$ 10,304</u>		

As of June 30, 2012, the Alex Municipal Authority had three long-term notes outstanding with the Chickasha First National Bank. The loans are represented as follows:

The first note payable to the Chickasha First National Bank carries an interest rate of 6%. These monies were used to purchase police cars. The balance of this note as of June 30, 2012 was \$7,948 and matures in November 2012. The Alex Municipal Authority paid \$8,093 in principal and \$156 in interest on this obligation for the year ending June 30, 2012. Payments on this note are \$687.41 per month.

	<u>Principal</u>	<u>Interest</u>		
2012/2013	7,948	301	Balance, Beginning of year	\$ 16,041
Total	<u>\$ 7,948</u>	<u>\$ 301</u>	Principal Paid during year	<u>8,093</u>
			Balance, End of Year	<u><u>\$ 7,948</u></u>

The second note payable to the Chickasha First National Bank carries an interest rate of 6.5%. These monies were used to purchase a police car. Collateral for this loan is the car. The balance of this note as of June 30, 2012 was \$6,117 and matures in August 2014. The Alex Municipal Authority paid \$2,383 in principal and \$134 in interest on this obligation for the year ending June 30, 2012. Payments on this note are \$357.25 per month.

	<u>Principal</u>	<u>Interest</u>		
2012/2013	2,799	326	Balance, Beginning of year	\$ 8,500
2013/2014	2,986	139	Principal Paid during year	<u>2,383</u>
2014/2015	332	4	Balance, End of Year	<u><u>\$ 6,117</u></u>
Total	<u>\$ 6,117</u>	<u>\$ 469</u>		

The third note payable to the Chickasha First National Bank carries an interest rate of 5%. These monies were used to complete the water tower. The balance of this note as of June 30, 2012 was \$31,605 and matures in September 2019. The Alex Municipal Authority paid \$3,136 in principal and \$1,964 in interest on this obligation for the year ending June 30, 2012. Payments on this note are \$425 per month.

	<u>Principal</u>	<u>Interest</u>		
2012/2013	3,621	1,479	Balance, Beginning of year	\$ 34,741
2013/2014	3,806	1,294	Principal Paid during year	<u>3,136</u>
2014/2015	4,000	1,100	Balance, End of Year	<u><u>\$ 31,605</u></u>
2015/2016	4,205	895		
2016/2017	4,420	680		
2016/2020	11,553	13,947		
Total	<u>\$ 31,605</u>	<u>\$ 19,395</u>		

**Note 5-Subsequent Events**

Subsequent events have been evaluated through August 17, 2012, which is the date the financial statements were issued.

# Casey J. Russell CPA, Inc.

Casey J. Russell, C.P.A., M.B.A.  
Autumn L. Williams, C.P.A., Esq.  
Member AICPA & OSCP

2812 NW 57<sup>th</sup>, Ste. 102  
Oklahoma City, Oklahoma 73112

Phone: (405) 607-8743  
Fax: (405) 607-8744  
Email: caseycpa@hotmail.com

---

## 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 Alex, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Alex, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated August 17, 2012. The report on the Town of Alex was qualified because the financial statements were prepared using the modified cash basis of accounting. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of Town of Alex, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Alex's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Alex's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Alex'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 2012-1, 2012-2, & 2012-3. 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

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

  
August 17, 2012

## **Schedule of Current Findings and Responses**

### **2012-1 Budget Deadlines (Repeat Finding)**

**CONDITION:** During our review of the budget procedures, the town failed to prepare the required budgets within the required deadlines mandated by state statute.

**CRITERIA:** State statute requires budgets be submitted for all funds to the governing body.

**CAUSE OF CONDITION:** The town has not adopted formal budget procedures in regards to the preparation of their annual budget.

**EFFECT OF CONDITION:** Budget procedures should be adopted to verify whether the budgeted expenditures can be supported by each of the funds revenue sources.

**RECOMMENDATION:** The town should review and adopt the budget requirements listed by state statute.

**MANAGEMENT RESPONSE:** We understand the need of preparing budget forms before the start of the fiscal year and will strive to prepare budgets according to the required deadlines.

### **2012-2 Customer Deposits (Repeat Finding)**

**CONDITION:** During our review of the water metered deposits, we noted that the town was unable to provide a detailed listing of the individual customer deposits that could easily be reconciled to the amount shown on the financial statements.

**CRITERIA:** The liability balance as shown on the financial statements should have a detailed listing supporting the account balance.

**CAUSE OF CONDITION:** The town recently transferred to a computer system listing each customer deposit. Several customer deposits dating back for several years could not be located to enter into the software system.

**EFFECT OF CONDITION:** The account balance is unsupported.

**MANAGEMENT RESPONSE:** The town has made strides toward improved record keeping of account balances. There are additional forms which customers are required to complete which track deposits made as well as additional account information.

### **2012-3 Lack of Segregation of Duties (Repeat Finding)**

**CONDITION:** During our review of the internal control structure, we noted that several procedures lacks the control of having duties segregated. We understand that due to the size of the town and number of personnel, many aspects related to segregation of duties cannot be implemented. However, we noted that certain bank accounts required only one signature.

**CRITERIA:** We believe that internal control procedures would be strengthened by reviewing the individual tasks to determine whether internal control procedures could be improved.

**CAUSE OF CONDITION:** Limited personnel

**EFFECT OF CONDITION:** Unknown

**MANAGEMENT RESPONSE:** All checks now require two signatures whether there are two signature lines or not. In many cases due to our limited resources, controls will be limited.