

Town of Soper, Oklahoma
Financial Statements and Report
of Independent Accountants
As of and For the Year Ending
June 30, 2012

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Report of Independent Accountants

To the Board of Trustees
Town of Soper, 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 Soper, 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.

Except as discussed in the following paragraph, 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.

Because of the inadequacy of accounting records for governmental and business-type activities and proprietary fund capital assets, we were unable to form an opinion regarding the amounts at which governmental and business-type activities capital assets are recorded in the accompanying basic financial statements as of June 30, 2012, (stated at \$203,710 and \$962,405, respectively). Additionally, limited depreciation was recorded on capital assets.

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, except for the matters described above, 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 Soper, 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 September 14, 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.


September 14, 2012

Town of Soper, Oklahoma
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash-unrestricted	64,654.44	43,521.62	108,176.06
Cash-restricted	65,751.99	21,905.88	87,657.87
Taxes and utility billings receivable	4,474.87	-	4,474.87
Total current assets	<u>134,881.30</u>	<u>65,427.50</u>	<u>200,308.80</u>
Fixed assets:			
Net capital assets	<u>139,168.00</u>	<u>568,907.72</u>	<u>708,075.72</u>
Total fixed assets	<u>139,168.00</u>	<u>568,907.72</u>	<u>708,075.72</u>
Total assets	<u>\$ 274,049.30</u>	<u>\$ 634,335.22</u>	<u>\$ 908,384.52</u>
LIABILITIES			
Meter deposits	-	14,200.00	14,200.00
Total current liabilities	-	14,200.00	14,200.00
Noncurrent liabilities:			
Non-current portion long term debt	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	-	14,200.00	14,200.00
NET ASSETS			
Investment in capital assets, net of related debt	139,168.00	568,907.72	708,075.72
Restricted	65,751.99	-	65,751.99
Unrestricted	<u>69,129.31</u>	<u>51,227.50</u>	<u>120,356.81</u>
Total net assets	<u>274,049.30</u>	<u>620,135.22</u>	<u>894,184.52</u>
Total liabilities and net assets	<u>\$ 274,049.30</u>	<u>\$ 634,335.22</u>	<u>\$ 908,384.52</u>

Town of Soper, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2012

ASSETS	
Cash in bank	64,654.44
Cash in bank - Restricted	65,751.99
Taxes receivable	4,474.87
Total assets	<u>\$ 134,881.30</u>
 LIABILITIES	
Accounts payable	-
Total liabilities	-
 FUND BALANCES	
Restricted	65,751.99
Unassigned	69,129.31
Total fund balances	<u>134,881.30</u>
Total liabilities and fund balances	<u>\$ 134,881.30</u>

*Reconciliation of Total Governmental Fund Balance
to Net Assets of Governmental Activities
June 30, 2012*

<i>Total Governmental Fund Balances</i>	\$ 134,881.30
 <i>Amounts reported for governmental activities in the of net assets are different because:</i>	
<i>Capital assets used in governmental activities are not and therefore are not reported in the funds</i>	<u>139,168.00</u>
<i>Net Assets of Governmental Activities</i>	<u>\$ 274,049.30</u>

Town of Soper, Oklahoma
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

Revenues:	
Taxes	65,774.76
Other Revenues	1,800.00
Grants	4,412.77
Interest income	162.20
Total revenues	<u>72,149.73</u>
Expenditures:	
Salaries and wages	-
Board compensation	10,136.00
Fire Department	11,166.44
Other services and charges	18,888.73
Total expenditures	<u>40,191.17</u>
Excess revenue over (under) expenditures	31,958.56
Transfers in/(out)	<u>-</u>
Excess revenue over (under) expenditures after transfers	31,958.56
Fund balances at beginning of year	<u>102,922.74</u>
Fund balances at end of year	<u><u>\$ 134,881.30</u></u>

*Reconciliation of Total Governmental Fund Balance
to Net Assets of Governmental Activities*

<i>Net change in fund balances - total governmental funds</i>	\$ 31,958.56
<i>Depreciation recorded in the governmental wide financial statements not recorded in the fund financial statements</i>	<u>(11,514.00)</u>
<i>Change in net assets of governmental activities</i>	<u><u>\$ 20,444.56</u></u>

Town of Soper, Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2012

ASSETS	
Current assets:	
Cash-unrestricted	43,521.62
Cash-restricted	21,905.88
Total current assets	65,427.50
Fixed assets:	
Net capital assets	568,907.72
Total fixed assets	568,907.72
Total assets	\$ 634,335.22
 LIABILITIES	
Current liabilities:	
Other accrued liabilities	14,200.00
Current portion long term debt	-
Total current liabilities	14,200.00
Non-current liabilities:	
Non-current portion long term debt	-
Total non-current liabilities	-
Total liabilities	14,200.00
 NET ASSETS	
Investment in capital assets, net of related debt	568,907.72
Unrestricted	51,227.50
Total net assets	620,135.22
Total liabilities and fund balances	\$ 634,335.22

Town of Soper, Oklahoma
Statement of Revenues Over Expenditures and
Changes in Retained Earnings - Proprietary Fund Type
For the Year Ended June 30, 2012

Operating revenues:	
Water sales	\$ 58,310.13
Sewer fees	31,320.00
Garbage revenues	<u>18,808.00</u>
Total operating revenues	108,438.13
Operating expenses:	
Water department	67,929.71
Sewer department	36,131.31
Garbage department	<u>12,840.00</u>
Total operating expenses	<u>116,901.02</u>
Operating income (loss)	(8,462.89)
Non-operating revenues (expenses):	
Grant revenues	3,693.75
Transfers in/(out)	-
Interest income	<u>140.04</u>
Net non-operating revenues (expenses)	<u>3,833.79</u>
Change in net assets	(4,629.10)
Total net assets at beginning of year	<u>624,764.32</u>
Total net assets at end of year	<u><u>\$ 620,135.22</u></u>

Town of Soper
Proprietary Fund
Statement of Cash Flows
For the Year Ending June 30, 2012

Cash flows from operating activities	
Receipts from customers	109,266.82
Grants Received	3,693.75
Interest Income	140.04
Payments to employees	(25,663.76)
Payments to suppliers	<u>(69,080.95)</u>
Net cash provided by operating activities	18,355.90
Cash flows from capital and related financing activities	
Note payments made during year	<u>(14,246.17)</u>
Net cash flows from capital and related financing activities	(14,246.17)
Net increase (decrease) in cash	4,109.73
Cash, Beginning of the Year	<u>61,317.77</u>
Cash, End of the Year	<u><u>\$ 65,427.50</u></u>

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Change in Net Assets	(4,629.10)
Adjustments to reconcile change in net assets to net cash provided	
Depreciation	22,156.31
Increase (decrease) in meter deposits	<u>828.69</u>
Net cash provided by operating activities	<u><u>\$ 18,355.90</u></u>

Cash Reconciliation	
Cash in Bank - Unrestricted	\$ 43,521.62
Cash in Bank - Restricted	<u>21,905.88</u>
Total Cash	<u><u>\$ 65,427.50</u></u>

Town of Soper, 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 Soper, 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 Soper Public Works 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 and alley fund, cemetery care, fire fund and Christmas fund. The proprietary funds consisted of the Soper Public Works 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 that 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 and Expenditure Recognition

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

The Town records depreciation expense, which is an exception to the modified cash basis of accounting.

Allocations of costs, such as depreciation, are recorded in proprietary funds. The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable then Government Accounting Standards Board pronouncements are used.

Cash and Cash Equivalents

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 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 Soper is considered a separate entity from the Soper 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 Soper'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 Soper Development Corporation. The remaining funds would be 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
Town Hall	\$ 25,000	-	-	\$ 25,000
Land	1,000	-	-	1,000
Fire Equipment	172,710	-	-	172,710
Storage Building	5,000	-	-	5,000
Total	203,710			203,710
Accumulated Depreciation	(53,028)	(11,514)		(64,542)
Net Assets	<u>\$ 150,682</u>			<u>\$ 139,168</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.

<u>Proprietary Funds</u>	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 10,000	-	-	\$ 10,000
Equipment	334,891	-	-	334,891
Wastewater Improvements	617,514	-	-	617,514
Total	962,405			962,405
Accumulated Depreciation	(371,341)	(22,156)		(393,497)
Net Assets	<u>\$ 591,064</u>			<u>\$ 568,908</u>

As of June 30, 2012, the public works 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.

Note 4 - Notes Payable

Soper Public Works Authority

As of June 30, 2012, the Soper Public Works Authority had one note outstanding with Farmers Home Administration in the amount of \$-0-. This note carries a 5% annual percentage rate and requires annual installment payments of \$11,833. The note will mature January, 2012. The note is secured by the system revenues, receivables and property, plant and equipment. The Soper PWA paid \$14,246 and \$-0- in principal and interest, respectively, on this note for the year ending June 30, 2012.

Note 5 – Subsequent Events

Subsequent events have been evaluated through September 14, 2012, which is the date the financial statements were issued.

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

To the Board of Trustees
Town of Soper, 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 Soper, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated September 14, 2012. Our report was a qualified report because of the use of the modified cash basis of accounting. 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 Soper, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Soper'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 Soper's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Soper's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2012-1.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. 2012-2 to 2012-4.

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 results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2012-5.

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

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Casey J. Russell CPA, Inc.

Casey J. Russell CPA, Inc.
Oklahoma City, OK 73112
September 14, 2012

Schedule of Findings and Responses

2012 - 1 Treasurer Not Making Deposits In A Timely Manner (Repeat Finding)

Condition: The town treasurer has not been depositing the monthly alcohol beverage, motor vehicle, and franchise tax checks received in a timely manner.

Criteria: Oklahoma State Statute Title 11, Section 12-110 states that the town treasurer shall deposit daily funds received for the town. The statute also states that the treasurer shall maintain accounts and books to show where and from what source all monies paid have been derived and to whom and when any monies have been paid.

Cause and effect: The treasurer is subjecting the town to the loss of revenues due to her failure to deposit checks in a timely manner. Checks are being held for such an excessive amount of time that the entities issuing the checks are no longer going to validate such checks once they have exceeded so many day. When this is done the checks will not be reissued which means the town will lose out on this revenue.

Recommendation: The treasurer needs to make deposits upon receipts of such checks. No deposits should be held longer than a week from receipt of such check.

Management's Response: Management will insure that deposits are being made in a timely manner.

2012 - 2 Capital Asset Records (Repeat Finding)

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

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

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

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

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

2012 - 3 Recording of All Fund Activity and Balances (Repeat Finding)

Condition: No balances or activity of any funds or bank accounts are being recorded in the general ledger accounting records of the Town of Soper. There is no centralization of records, receipts, or purchase orders. Bank records are not being reconciled on a monthly basis. Furthermore, because no one is keeping up with the actual activity deposits are not being made in a timely manner and checks are not being remitted for payment in a timely fashion either.

Criteria: Proper recording of all funds and the balances, transactions, and other activity thereof, helps ensure complete and accurate financial reports can be prepared.

Cause and effect: Unauthorized transactions or activities within the accounts could be conducted without the knowledge of management or the governing board. Because deposits are not being made in a timely fashion revenue is being lost. Furthermore, checks are being written but are not being mailed for a significant time later. All records and bank statements are not being kept at town hall and therefore are not available for examination by board members.

Recommendation: All accounts and funds of the Town should be included and properly recorded in the Town of Soper's general ledger accounting records. All supporting documentation for deposits, receipts, and disbursements, as well as bank statements, for all the accounts should be provided to the clerk for posting to the general ledger at least on a monthly basis and all records should be kept at town hall. Bank reconciliations should be prepared on each bank account. All deposits should be made on the day they were received or within 24 hours. Furthermore, all checks should be mailed immediately after they have been signed by the board members. Due to the prolonged nature of this problem it is highly recommended that the town hire an outside C.P.A. firm to prepare their books monthly.

Management's Response: The Town of Soper will consider incorporating these records and address this issue as soon as possible.

2012 - 4 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 and effect: The cause is due to limited personnel and the full effect is unknown.

Recommendation: The town should implement a policy of not accepting cash payments at city hall. The town should also implement more internal controls by having more separation of duties. This could be done by having the personnel write receipts for all payments made regardless of type and then recording these payments on a daily payment ledger. All payments, receipts, and a copy of the daily receipt ledger should be given directly to the Treasurer at the end of the day. The town clerk or other personnel, except for the Treasurer, should then take the original daily payment ledger to record the payments in the system. Once all payments have been recorded in the system, the town clerk or other personnel should print off a payment listing from the system as well as a daily

adjustment history to insure that no unnecessary adjustments have been made, the town clerk or other personnel should also prepare the deposit slip at this time and retain the carbon copy. These reports along with the original daily payment ledger and original of the deposit slip should be given to the Treasurer who should then compare the total payments and receipts written to the daily payment ledger, daily payment listing from system, and daily adjustment history. The Treasurer should then staple all documents together and give these back to the town clerk or other personnel. When the Treasurer returns from the bank she should give the bank deposit receipt to the town clerk or other personnel who should compare the receipt to the previous documents given to her by the Treasurer and also compare the carbon copy of the deposit slip to the bank deposit receipt. The town clerk or other personnel should then staple everything together and maintain for the audit files.

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

2012 - 5 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 and effect: The town has not adopted formal budget procedures in regards to the preparation of their annual budget. 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's 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.