

AUDIT REPORT  
TOWN OF BOKCHITO, OKLAHOMA  
JUNE 30, 2012

KERSHAW CPA & ASSOCIATES, PC

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TOWN OF BOKCHITO, OKLAHOMA  
JUNE 30, 2012

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TOWN OF BOKCHITO, OKLAHOMA  
JUNE 30, 2012

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TOWN OF BOKCHITO, OKLAHOMA  
BOARD MEMBERS AND OFFICIALS  
JUNE 30, 2012

BOARD MEMBERS & OFFICIALS

<u>NAME</u>	<u>POSITION</u>
ERIC HENRY	MAYOR
KEITH WHITTINGTON	MAYOR PRO-TEM
ROZELL TIDWELL	TRUSTEE
JIMMIE LONG	TRUSTEE
MARK GREEN	TRUSTEE
MELISSA SCOTT	CLERK/TREASURER, EMS DIRECTOR & FIRE CHIEF
MIKE ERWIN	POLICE CHIEF
WAYNE MINYARD	UTILITY DIRECTOR

Unaudited

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## INDEPENDENT AUDITOR'S REPORT

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

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

As described in the Notes, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases. The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. Documentation supporting historical cost was not readily available for our 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 our opinion, except for the effects, if any, on the financial statements of improper capital asset recordkeeping described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Bokchito, Oklahoma, as of June 30, 2012, and the changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2012, on our consideration of the Town of Bokchito, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to

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describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Bokchito 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bokchito'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 our audit of the basic financial statements, and accordingly, we do not express an opinion thereon.

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

November 13, 2012

TOWN OF BOKCHITO, OKLAHOMA  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	2012 Total	Memo Only 2011 Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 11,827	\$ (1,767)	\$ 10,060	\$ 53,002
Certificates of Deposit	8,113	-	8,113	18,599
Accounts Receivable	-	-	-	-
Total Current Assets	<u>19,940</u>	<u>(1,767)</u>	<u>18,173</u>	<u>71,601</u>
<b>Restricted Assets:</b>				
Cash - Customer Deposits	-	24,021	24,021	23,862
Cash - Debt Reserves	-	30,713	30,713	25,238
Total Restricted Assets	<u>-</u>	<u>54,734</u>	<u>54,734</u>	<u>49,099</u>
<b>Capital Assets:</b>				
Equipment	155,844	-	155,844	155,844
Sewer Improvements	-	1,854,400	1,854,400	1,854,400
Less: Accumulated Depreciation	(125,576)	(1,094,689)	(1,220,265)	(1,164,833)
Total Capital Assets	<u>30,268</u>	<u>759,711</u>	<u>789,979</u>	<u>845,411</u>
<b>TOTAL ASSETS</b>	<u>50,208</u>	<u>812,678</u>	<u>862,885</u>	<u>966,111</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	-	-	-	-
Current Portion of Long-Term Debt	-	7,474	7,474	7,110
Total Current Liabilities	<u>-</u>	<u>7,474</u>	<u>7,474</u>	<u>7,110</u>
<b>Long-Term Liabilities:</b>				
Due to Depositors	-	24,373	24,373	24,205
Note Payable - RD	-	198,562	198,562	205,671
Notes Payable - First United Bank	-	-	-	-
Less: Current Portion of Long-Term Debt	-	(7,474)	(7,474)	(7,110)
Total Long-Term Liabilities	<u>-</u>	<u>215,462</u>	<u>215,462</u>	<u>222,766</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>222,936</u>	<u>222,936</u>	<u>229,876</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	30,268	561,149	591,417	639,740
Restricted for:				
Debt Service	-	54,734	54,734	49,099
Other Purposes	-	-	-	-
Unrestricted	<u>19,940</u>	<u>(26,141)</u>	<u>(6,201)</u>	<u>47,395</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 50,208</u>	<u>\$ 589,742</u>	<u>\$ 639,950</u>	<u>\$ 736,235</u>

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

**TOWN OF BOKCHITO, OKLAHOMA**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General Government	\$ 77,061	\$ -	\$ -	\$ -	\$ (77,061)
Public Safety	403,230	188,807	4,413	-	(210,010)
Streets & Highways	18,474	-	-	-	(18,474)
<b>Total Governmental Activities</b>	<b>498,765</b>	<b>188,807</b>	<b>4,413</b>	<b>-</b>	<b>(305,545)</b>
<b>Business-type activities:</b>					
Water, Sewer & Sanitation	317,074	272,964	-	-	(44,110)
<b>Total Business-type Activities</b>	<b>317,074</b>	<b>272,964</b>	<b>-</b>	<b>-</b>	<b>(44,110)</b>
<b>Total</b>	<b>\$ 815,840</b>	<b>\$ 461,772</b>	<b>\$ 4,413</b>	<b>\$ -</b>	<b>\$ (349,655)</b>

## Changes in Net Assets:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (305,545)	\$ (44,110)	\$ (349,655)
<b>General revenues:</b>			
<b>Taxes:</b>			
Sales & Use Tax	98,382	-	98,382
Cigar Tax	1,451	-	1,451
Franchise Tax	20,461	-	20,461
<b>Intergovernmental:</b>			
Alcoholic Beverage Tax	3,967	-	3,967
Vehicle Taxes	4,280	-	4,280
Gasoline Taxes	1,195	-	1,195
Permits & Fees	126	-	126
Ambulance Subsidy	66,228	-	66,228
Donations & Fundraisers	6,600	-	6,600
Investment Income	113	158	271
Miscellaneous	47,900	-	47,900
<b>Transfers - Internal Activity</b>	<b>(9,433)</b>	<b>9,433</b>	<b>-</b>
<b>Total general revenues &amp; transfers</b>	<b>241,271</b>	<b>9,591</b>	<b>250,861</b>
<b>Changes in net assets</b>	<b>(64,274)</b>	<b>(34,519)</b>	<b>(98,794)</b>
Net assets - beginning	112,914	623,321	736,235
Net assets - prior year adjustment	1,569	940	2,509
Net assets - ending	\$ 50,208	\$ 589,742	\$ 639,950

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

**TOWN OF BOKCHITO, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General Fund	Municipal Court Fund	Ambulance Service Fund	Street & Alley Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 838	\$ (828)	\$ 829	\$ 9,895	\$ 1,093	\$ 11,827
Certificates of Deposit	8,113	-	-	-	-	8,113
Accounts Receivable	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 8,951</b>	<b>\$ (828)</b>	<b>\$ 829</b>	<b>\$ 9,895</b>	<b>\$ 1,093</b>	<b>\$ 19,940</b>
<b>LIABILITIES &amp; FUND EQUITY</b>						
<b>LIABILITIES:</b>						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	9,895	-	9,895
Committed	-	-	-	-	-	-
Assigned	-	(828)	829	-	1,093	1,094
Unassigned	8,951	-	-	-	-	8,951
<b>TOTAL FUND BALANCES</b>	<b>8,951</b>	<b>(828)</b>	<b>829</b>	<b>9,895</b>	<b>1,093</b>	<b>19,940</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,951</b>	<b>\$ (828)</b>	<b>\$ 829</b>	<b>\$ 9,895</b>	<b>\$ 1,093</b>	<b>-</b>

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 \$155,844, net of accumulated depreciation of \$125,576, are not financial resources and, therefore, are not reported in the funds.	30,268
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	-
<b>Net Assets of Governmental Activities</b>	<b>\$ 50,208</b>

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

**TOWN OF BOKCHITO, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund	Municipal Court Fund	Ambulance Service Fund	Street & Alley Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Sales & Use Tax	\$ 98,382	\$ -	\$ -	\$ -	\$ -	\$ 98,382
Cigar Tax	1,451	-	-	-	-	1,451
Franchise Tax	20,461	-	-	-	-	20,461
Alcoholic Beverage Tax	3,967	-	-	-	-	3,967
Vehicle Taxes	-	-	-	4,280	-	4,280
Gasoline Taxes	-	-	-	1,195	-	1,195
Police Fines & Bonds	-	105,336	-	-	-	105,336
Permits & Fees	126	-	-	-	-	126
Charges for Services	-	-	83,472	-	-	83,472
Ambulance Subsidy	-	-	66,228	-	-	66,228
Grant Revenue	-	-	-	-	4,413	4,413
FEMA Grant	-	-	-	-	-	-
Donations & Fundraisers	-	-	-	-	6,600	6,600
Interest Income	69	-	24	17	3	113
Miscellaneous Income	30,438	10,319	-	-	7,143	47,900
<b>TOTAL REVENUES</b>	<b>154,894</b>	<b>115,655</b>	<b>149,724</b>	<b>5,492</b>	<b>18,158</b>	<b>443,924</b>
<b>EXPENDITURES:</b>						
Current:						
Personal Services	11,733	88,744	69,592	-	-	170,070
Maintenance & Operations	65,328	110,215	94,486	16,709	19,053	305,791
Capital Outlay	-	-	-	1,765	-	1,765
Debt Service - Principal & Interest	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>77,061</b>	<b>198,959</b>	<b>164,078</b>	<b>18,474</b>	<b>19,053</b>	<b>477,626</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>						
<b>EXPENDITURES</b>	<b>77,833</b>	<b>(83,304)</b>	<b>(14,354)</b>	<b>(12,982)</b>	<b>(895)</b>	<b>(33,702)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating Transfers In	3,496	55,840	3,276	14,400	-	77,012
Operating Transfers Out	(82,948)	-	-	-	(3,496)	(86,444)
Capital Debt Proceeds	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(79,453)</b>	<b>55,840</b>	<b>3,276</b>	<b>14,400</b>	<b>(3,496)</b>	<b>(9,433)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(1,620)</b>	<b>(27,464)</b>	<b>(11,079)</b>	<b>1,418</b>	<b>(4,391)</b>	<b>(43,135)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>10,407</b>	<b>26,143</b>	<b>11,296</b>	<b>8,477</b>	<b>5,183</b>	<b>61,506</b>
<b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>	<b>164</b>	<b>492</b>	<b>612</b>	<b>-</b>	<b>300</b>	<b>1,569</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 8,951</b>	<b>\$ (828)</b>	<b>\$ 829</b>	<b>\$ 9,895</b>	<b>\$ 1,093</b>	<b>19,940</b>

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

**TOWN OF BOKCHITO, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds \$ (43,135)

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 -

    Depreciation expense (21,140)

Change in Net Assets of Governmental Activities \$ (64,274)

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

**TOWN OF BOKCHITO, OKLAHOMA**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**JUNE 30, 2012**

	<u>Bokchito Public Utilities Authority Enterprise Fund June 30, 2012</u>	<u>Memo Only June 30, 2011</u>
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ (1,767)	\$ (450)
Certificates of Deposit	-	10,545
Accounts Receivable	-	-
<b>Total Current Assets</b>	<b>(1,767)</b>	<b>10,095</b>
<b>Noncurrent Assets:</b>		
<b>Restricted Assets:</b>		
Cash - Customer Deposits	24,021	23,862
Cash - Debt Reserves	30,713	25,238
Capital assets, net of accumulated depreciation	759,711	794,004
<b>Total Noncurrent Assets</b>	<b>814,445</b>	<b>843,103</b>
<b>TOTAL ASSETS</b>	<b>\$ 812,678</b>	<b>\$ 853,198</b>
<b><u>LIABILITIES &amp; NET ASSETS</u></b>		
<b>Current Liabilities:</b>		
Current Portion of Long-Term Debt	\$ 7,474	\$ 7,110
<b>Total Current Liabilities</b>	<b>7,474</b>	<b>7,110</b>
<b>Noncurrent Liabilities:</b>		
Due to Depositors	24,373	24,205
Notes Payable - Long-Term	198,562	205,671
Less: Current Portion of Long-Term Debt	(7,474)	(7,110)
<b>Total Noncurrent Liabilities</b>	<b>215,462</b>	<b>222,766</b>
<b>TOTAL LIABILITIES</b>	<b>222,936</b>	<b>229,876</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	561,149	588,332
Restricted for debt service	54,734	49,099
Unrestricted	(26,141)	(14,111)
<b>TOTAL NET ASSETS</b>	<b>589,742</b>	<b>623,321</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 812,678</b>	<b>\$ 853,198</b>

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

**TOWN OF BOKCHITO, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Bokchito Public Utilities Authority Enterprise Fund June 30, 2012</b>	<b>Memo Only June 30, 2011</b>
<b><u>OPERATING REVENUES:</u></b>		
Charges for services:		
Water	\$ 152,084	\$ 146,611
Sewer	68,077	65,535
Sanitation	52,804	51,642
Grant Income	-	-
Other Revenue	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>272,964</b>	<b>263,788</b>
<b><u>OPERATING EXPENSES:</u></b>		
Personal Services	106,117	84,775
Landfill Contract	35,772	59,272
Maintenance & Operations	130,769	88,473
Capital Outlay	-	-
Depreciation	34,293	32,357
<b>TOTAL OPERATING EXPENSES</b>	<b>306,951</b>	<b>264,876</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>(33,987)</b>	<b>(1,088)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	158	273
Interest Expense	(10,123)	(10,469)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(9,965)</b>	<b>(10,195)</b>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<b>(43,952)</b>	<b>(11,283)</b>
Capital Contributions	-	-
Transfers in	9,433	1,340
Transfers out	-	(13,174)
<b>CHANGE IN NET ASSETS</b>	<b>(34,519)</b>	<b>(23,117)</b>
<b>TOTAL NET ASSETS - BEGINNING</b>	<b>623,321</b>	<b>643,592</b>
<b>TOTAL NET ASSETS - PRIOR YEAR ADJUSTMENT</b>	<b>940</b>	<b>2,846</b>
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 589,742</b>	<b>\$ 623,321</b>

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

## EXHIBIT G

**TOWN OF BOKCHITO, OKLAHOMA**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>June 30, 2012</u>	<u>Memo Only June 30, 2011</u>
<b><u>Net Cash Flows from Operating Activities:</u></b>		
Cash Receipts from Customers	\$ 272,964	\$ 263,788
Receipts from Others	-	-
Payments to Suppliers for Goods & Services	(166,542)	(147,745)
Payments to Employees & Laborers	(106,117)	(84,775)
Customer Deposits Received, Less Refunded	168	(5,819)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>474</u>	<u>25,450</u>
<b><u>Net Cash Flows from Non-Capital Financing Activities:</u></b>		
Transfers to other funds	-	(13,174)
Transfers from other funds	9,433	1,340
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>9,433</u>	<u>(11,834)</u>
<b><u>Net Cash Flows from Capital &amp; Related Financing Activities:</u></b>		
Additions to Capital Assets	-	(3,975)
Loan Proceeds received	-	-
Principal paid on Notes Payable	(7,109)	(6,763)
Interest paid	(10,123)	(10,469)
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>	<u>(17,232)</u>	<u>(21,207)</u>
<b><u>Net Cash Flows from Investing Activities:</u></b>		
Interest Income	158	273
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>158</u>	<u>273</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(7,168)	(7,318)
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	59,195	63,666
<b>Cash &amp; Cash Equivalents, Prior Year Adjustment</b>	940	2,846
<b>Cash &amp; Cash Equivalents, End of Year</b>	<u>\$ 52,967</u>	<u>\$ 59,195</u>
<b><u>Reconciliation of operating income (loss) to net cash provided operating activities:</u></b>		
Operating Income (Loss)	\$ (33,987)	\$ (1,088)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	34,293	32,357
(Increase)Decrease in Accounts Receivable	-	-
Increase(Decrease) in Due to Depositors	168	(5,819)
Increase(Decrease) in Accounts Payable	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 474</u>	<u>\$ 25,450</u>

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

TOWN OF BOKCHITO, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Bokchito, Oklahoma do not conform to accounting principles generally accepted in the United States of America as applicable to governments. The Town uses the cash basis of accounting as described below. The following is a summary of the more significant policies.

A. Reporting Entity

The Town of Bokchito, Oklahoma is an incorporated town under the provisions of the State of Oklahoma. The Town provides the following services: public safety (police, fire & ambulance), streets, and general administrative services. Other services include water, sewer, and garbage utility operations.

The Town, for financial purposes, includes all of the funds relevant to the operations of the Town of Bokchito. The financial statements presented herein do not include agencies, which have been formed under applicable state laws or separate and district units of government apart from the Town of Bokchito.

The financial statements of the Town include those of any separately administered organization that is controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. Based on the foregoing criteria, the financial statements of the Bokchito Public Utilities Authority are included in the accompanying financial statements and reported as an enterprise fund within the Proprietary fund type. The Town Trustees also serve as the trustees of the Authority.

B. Basis of Presentation (Fund Accounting)

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties 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 accounted for with a separate set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses as appropriate. Government resources are allocated to and for individual funds based upon the

TOWN OF BOKCHITO, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for all proceeds of specific revenue sources that are restricted, either legally or by board designation, to expenditures for specified purposes.

Proprietary Fund Type

Enterprise Fund - Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises, where the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed through user charges. The Bokchito Public Utilities Authority is reported as an enterprise fund.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. This relates to the timing of revenues and expenditures regardless of the measurement focus applied. The Town uses the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Town does not use the encumbrance method of accounting. Payables are recorded in the accounting records at the time they are paid.

All governmental funds use the cash basis of accounting. Revenues are recognized when actually received, and expenditures are recognized when actually paid. Generally accepted accounting principles require the use of the modified accrual basis of accounting for governmental funds. Under the modified accrual basis of accounting, revenues would be recognized when they become measurable and available; expenditures would be recognized when the current liability is incurred.

All proprietary funds use the cash basis of accounting. Revenues are recognized when actually received, and expenditures are recognized when actually paid. Property and equipment are booked assets, and depreciated over their estimated useful lives. Notes payable are recorded as a liability. These variations of the cash basis of accounting are generally accepted modifications of the cash basis of accounting. Generally accepted accounting principles require the use of the accrual basis of accounting for proprietary

TOWN OF BOKCHITO, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

funds. Under the accrual basis of accounting, revenues are recognized when earned; expenses are recognized when incurred.

D. Budgetary Data

The budgetary data reflected in the accompanying financial statements reflect the Town's legally adopted budget. The Town's general fund budget is adopted at the beginning of each fiscal year and published in the local or regional newspaper.

E. Total (Memorandum Only)

Total (Memorandum Only) is the combined total of the funds shown. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. It does not represent data that is comparable to a consolidation since interfund eliminations have not been made. It is presented only to facilitate financial analysis.

F. FASB Pronouncements (Proprietary Funds)

The Town applies all applicable GASB (Government Accounting Standards Board) pronouncements as well as the pronouncements issued on or before November 30, 1989, by the FASB (Financial Accounting Standards Board) or predecessor Boards, unless those pronouncements conflict with or contradict GASB pronouncements.

G. Cash & Cash Equivalents

Cash and cash equivalents for cash flow presentation purposes include the entity's petty cash, cash in bank, restricted assets, and certificates of deposits. Investments held in trust are considered cash equivalents since their maturities are less than three months.

H. Property and Equipment

Property and equipment for the proprietary fund type are recorded at their historical cost; these assets are depreciated over the estimated useful life of the related asset. As stated in Note 1(B), the Town does not maintain adequate records for property and equipment of the governmental fund types; therefore Capital Assets are not reported as required by generally accepted accounting principles.

Estimated useful lives are as follows:

Water and Sewer System	30 years
Equipment	5 years

TOWN OF BOKCHITO, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

Capitalization Policy

Purchases of capital items in excess of \$5,000.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

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.”

J. Revenues, Expenditures & Expenses

Property Tax

For the year ended June 30, 2012, 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 BOKCHITO, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

K. Interfund Transfers

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide services, purchase assets and service debt. Transactions which are normal and recurring between funds are recorded as operating transfers. Transfers of equity between funds (residual equity transfers) are recorded as a change in fund balance.

L. 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 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>
Municipal Court Fund	Fine & Forfeitures

TOWN OF BOKCHITO, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

Ambulance Service Fund

Charges for Services

Street & Alley Fund

Commercial Vehicle Tax  
Gasoline Excise Tax  
Grant Income

NOTE 2 - BUDGETARY ACCOUNTING AND CONTROL

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. The expenditure categories required by the applicable State Statutes are:

1. Personal Services;
2. Maintenance and Operations; and
3. Capital Outlay

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.

NOTE 3 - 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 Town'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

As described in these Notes, the Town was in compliance with the reserve requirement of the Rural Development loan agreement.

Deficit Fund Balance or Retained Earnings

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

TOWN OF BOKCHITO, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 4 - CASH & EQUIVALENTS AND RESTRICTED ASSETS

Custodial Credit Risk

At June 30, 2012, the Town held deposits of approximately \$72,907 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.
- 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.).

Restricted Assets

Restricted cash in the proprietary fund type consists of \$24,021 restricted for customer deposits and which are offset by a related liability account.

The Authority has established the Rural Development debt reserve account with a \$17,903 balance as of June 30, 2012; this debt reserve account can only be used for

TOWN OF BOKCHITO, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

payment of principal and interest on the mortgage payable. In addition, the Authority has established a Sewer Reserve account with a \$12,810 balance as of June 30, 2012; this account was established to fund future emergency sewer improvements, serve as match for grant funded sewer improvements; and as a debt reserve account for the note payable to Community Resources Group, Inc.

NOTE 5 - CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

Governmental Funds

Capital asset activity for the Governmental Funds, resulting from the modified cash basis transactions, for the fiscal year ended June 30, 2012, was as follows:

	6/30/11			6/30/12		
	Balance	Additions	Deductions	Balance	Additions	Deductions
Police Cars	\$ 129,964	\$ -	\$ -	\$ 129,964		
Ambulances	\$ 25,880	\$ -	\$ -	\$ 25,880		
	155,844	-	-	155,844		
Less: Accum. Depr.	(104,436)	(21,140)	-	(125,576)		
	<u>\$ 51,408</u>	<u>\$ (21,140)</u>	<u>\$ -</u>	<u>\$ 30,268</u>		

Depreciation expense for the year ended June 30, 2012, aggregating \$21,140, has been computed on assets with a cost basis totaling \$155,844.

Proprietary Fund

Capital asset activity for the Public Utilities Authority, resulting from the modified cash basis transactions, for the fiscal year ended June 30, 2012, was as follows:

	6/30/11			6/30/12		
	Balance	Additions	Deductions	Balance	Additions	Deductions
Water & Sewer System	\$ 1,190,591	\$ -	\$ -	\$ 1,190,591		
System Improvements	542,810	-	-	542,810		
Equipment	120,999	-	-	120,999		
	1,854,400	-	-	1,854,400		
Less: Accum. Depr.	(1,060,396)	(34,293)	-	(1,094,689)		
	<u>\$ 794,004</u>	<u>\$ (34,293)</u>	<u>\$ -</u>	<u>\$ 759,711</u>		

Depreciation expense for the year ended June 30, 2012, aggregating \$34,293, has been computed on assets with a cost basis totaling \$1,854,400.

NOTE 6 - OUTSTANDING LONG-TERM DEBT

Government Fund Debt

The Town currently does not have any Government Fund Debt.

TOWN OF BOKCHITO, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

Changes in Government Fund Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

Notes Payable:	Balance at June 30, 2011	Additions	Deductions	Balance at June 30, 2012
Note Payable	\$ -	\$ -	\$ -	\$ -
Total Govt Fund Long-Term Debt	\$ -	\$ -	\$ -	\$ -

Debt Service Requirements to Maturity for Government Fund Long-Term Debt

Note Payable:	Principal	Interest	Total
FYE June 30,			
2013	\$ -	\$ -	\$ -
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
	\$ -	\$ -	\$ -

Bokchito Public Utilities Authority Debt

On March 22, 1993, the Bokchito Public Utilities Authority entered into a loan agreement with Rural Development (USDA). The maximum loan amount is \$294,800 with a 40-year term, maturing March 22, 2033. Repayment provisions call for interest at 5.0% with only interest payments the first year, and monthly payments of principal and interest of \$1,436 thereafter. This note is secured by a mortgage on the land, equipment, and revenues of the water system, and is subject to the liens on the bonds above except for certain other mortgages described in the agreement.

Changes in BPUA Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

Notes Payable:	Balance at June 30, 2011	Additions	Deductions	Balance at June 30, 2012
USDA - Rural Development	\$ 205,671.35	\$ -	\$ (7,109.22)	\$ 198,562.13
Total BPUA Long-Term Debt	\$ 205,671.35	\$ -	\$ (7,109.22)	\$ 198,562.13

TOWN OF BOKCHITO, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

Debt Service Requirements to Maturity for BPUA Long-Term Debt

USDA - Rural Development:

FYE June 30,	Principal	Interest	Total
2013	\$ 7,473.91	\$ 9,758.09	\$ 17,232.00
2014	7,856.29	9,375.71	17,232.00
2015	8,258.24	8,973.76	17,232.00
2016	8,680.74	8,551.26	17,232.00
2017	9,124.86	8,107.14	17,232.00
2018-2022	53,123.36	35,536.64	88,660.00
2023-2027	68,176.33	20,483.67	88,660.00
2028-2030	35,868.40	3,080.31	38,948.71
	<u>\$ 198,562.13</u>	<u>\$ 103,866.58</u>	<u>\$ 302,428.71</u>

NOTE 7 - GOVERNMENTAL FUND BALANCES

Town of Bokchito  
Disclosure of Fund Balances Reported on Balance Sheet  
For Fiscal Year Ending June 30, 2012

	General Fund	Municipal Court Fund	Ambulance Service Fund	Street & Alley Fund	Other Governmental Funds	Total Governmental Funds
<u>FUND BALANCES:</u>						
Restricted for:						
Road Maintenance	\$ -	\$ -	\$ -	\$ 9,895	\$ -	\$ 9,895
Assigned to:						
Fire Department	-	-	-	-	1,093	1,093
Police Department	-	(828)	-	-	-	(828)
EBCAS	-	-	829	-	-	829
Other purposes	-	-	-	-	-	-
Unassigned	8,951	-	-	-	-	8,951
Total	<u>\$ 8,951</u>	<u>\$ (828)</u>	<u>\$ 829</u>	<u>\$ 9,895</u>	<u>\$ 1,093</u>	<u>\$ 19,940</u>

NOTE 8 - VOLUNTEER FIREMEN PENSION

The Town participates in the Oklahoma Firefighters Pension and Retirement System (the Plan) on behalf of its volunteer firefighters. The Town contributes \$60/year for each volunteer firefighter as set by Oklahoma Statutes; voluntary firefighters do not contribute to the Plan. The Plan provides retirement, death, and disability benefits to plan members and beneficiaries. The Plan is an agent multiple-employer, or municipality, contributory defined benefit pension plan. The authority to amend and establish benefit provisions of the Plan rests with the Board of Trustees of the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report as well as actuarial assumptions and funding information may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System c/o Oklahoma State Firefighters Association, 4545 N. Lincoln Blvd., Oklahoma City, OK 73105-3414.

TOWN OF BOKCHITO, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance to reduce their risk of loss. These insurance policies have deductibles ranging from zero to \$1,000.

NOTE 10 - COMMITMENTS & CONTINGENCIES

Ambulance Service - The Eastern Bryan County Ambulance Service is operated by the Town via a contract with the Bryan County Ambulance Authority, a Bryan County Public Trust. As part of the contract, the Bryan County Ambulance Authority provides the Town with some funding and equipment to maintain the local ambulance service. This contract is renewable annually; should the contract not be renewed, then the Town would have to return all the equipment, furnished by the Bryan County Ambulance Authority.

Grant Programs - In the normal course of operations, the Town participates in various federal and state grant programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Compensated Absences - Compensated absences have not been determined because the Town prepares its financial statements on the cash basis of accounting. According to generally accepted accounting principles the liability for compensated absences should be accrued.

TOWN OF BOKCHITO, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

NOTE 11 - OPERATING TRANSFERS

Interfund operating transfers for the year ended June 30, 2012, were as follows:

OPERATING TRANSFERS:	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
<b>GENERAL:</b>		
Municipal Court Fund	\$ -	\$ 55,840
Ambulance Service Fund	\$ -	\$ 3,276
Volunteer Firefighters Fund	\$ -	\$ -
Street & Alley Fund	\$ -	\$ 14,400
Sidewalk Fund	\$ 3,496	\$ -
Bokchito Public Utilities Authority	\$ -	\$ 9,433
Total General Fund	<u>\$ 3,496</u>	<u>\$ 82,948</u>
<b>SPECIAL REVENUE FUNDS:</b>		
Municipal Court Fund:		
General Fund	\$ 55,840	\$ -
Ambulance Service Fund:		
General Fund	\$ 3,276	\$ -
Volunteer Firefighters Fund:		
General Fund	\$ -	\$ -
Street & Alley Fund:		
General Fund	\$ 14,400	\$ -
Bokchito Public Utilities Authority	\$ -	\$ -
Sidewalk Fund:		
General Fund	\$ -	\$ 3,496
Total Special Revenue Funds	<u>\$ 73,516</u>	<u>\$ 3,496</u>
<b>ENTERPRISE FUNDS</b>		
Bokchito Public Utilities Authority		
General Fund	\$ 9,433	\$ -
Street & Alley Fund	\$ -	\$ -
Total Enterprise Funds	<u>\$ 9,433</u>	<u>\$ -</u>
	<u>\$ 86,444</u>	<u>\$ 86,444</u>

NOTE 12 - PRIOR YEAR ADJUSTMENT

Miscellaneous immaterial adjustments were made to void old outstanding deposits and checks.

NOTE 13 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through November 13, 2012, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2012.

**TOWN OF BOKCHITO, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>\$</u>
Beginning Budgetary Fund Balance:	\$ 10,407	\$ 10,407	\$ 10,407	\$ -
<b><u>Resources (Inflows):</u></b>				
Sales & Use Tax	78,564	78,564	98,382	19,818
Cigar Tax	1,143	1,143	1,451	308
Franchise Tax	18,860	18,860	20,461	1,602
Alcoholic Beverage Tax	3,330	3,330	3,967	637
Police Fines & Bonds	-	-	-	-
Permits & Fees	45	45	126	81
Donations & Fundraisers	-	-	-	-
Interest Income	67	67	69	3
Miscellaneous Income	21,886	21,886	30,438	8,552
Transfers In	-	-	3,496	3,496
Amounts available for appropriation	<u>134,301</u>	<u>134,301</u>	<u>168,796</u>	<u>34,495</u>
<b><u>Charges to Appropriations (Outflows):</u></b>				
Personal Services	12,000	12,000	11,733	267
Maintenance & Operations	65,000	65,000	65,328	(328)
Capital Outlay	5,000	5,000	-	5,000
Debt Service	-	-	-	-
Transfers Out	52,301	52,301	82,948	(30,648)
Total Charges to Appropriations	<u>134,301</u>	<u>134,301</u>	<u>160,010</u>	<u>(25,709)</u>
Prior Year Adjustments to Fund Balance	<u>-</u>	<u>-</u>	<u>164</u>	<u>164</u>
Ending Budgetary Fund Balance	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>8,951</u></u>	<u><u>8,951</u></u>

Unaudited

TOWN OF BOKCHITO, OKLAHOMA  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2012

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. The expenditure categories required by the applicable State Statutes are:

1. Personal Services;
2. Maintenance and Operations; and
3. Capital Outlay

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

# KERSHAW CPA & ASSOCIATES, PC

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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 Bokchito, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the Town of Bokchito, State of Oklahoma, as of June 30, 2012, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles and which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 13, 2012. The Town of Bokchito 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. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in accordance with Oklahoma Statutes.

#### Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are listed as Items 12-01 and 12-02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal

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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 Bokchito's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are included in the Schedule of Findings as Item 12-03. The results of our tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

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

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

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC

November 13, 2012

TOWN OF BOKCHITO, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2012

SIGNIFICANT DEFICIENCIES OF INTERNAL CONTROL

Item 12-01 - 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. The segregation of duties is important to have adequate control over financial assets.

Condition: The Town has the same employees performing work normally segregated between two or more employees, including recording cash receipts and disbursements, maintaining the general ledger and payroll. 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 organization.

Item 12-02 - Overdrawn Bank Accounts

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 Town had significant cash flow problems during the audit year.

Cause/Effect: There were several contributing factors to the cash flow problems that led to certificates of deposits being cashed in and resulted in negative cash balances in some accounts.

Recommendation: The Town needs to either increase revenue or decrease spending.

TOWN OF BOKCHITO, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2012

Response: The Town raised water and sewer rates which will increase revenue for the PUA. The PUA also broke contract with the disposal company that it was using in favor of a much lower priced company. The number of tickets written by the police department will be increased from the previous year. The Ambulance Fund renewed its Medicare contract which will increase revenue for that fund.

SIGNIFICANT DEFICIENCIES OF COMPLIANCE

Item 12-03 - 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 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 has began separately a few of the accounts but was not previously aware of this requirement.

TOWN OF BOKCHITO, OKLAHOMA  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	<u>SPECIAL REVENUE FUNDS</u>		Total Nonmajor Governmental Funds
	Volunteer Firefighters Fund	Sidewalk Fund	
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,093	\$ -	\$ 1,093
Certificates of Deposit	-	-	-
Accounts Receivable	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 1,093</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,093</u></b>
<b><u>LIABILITIES &amp; FUND EQUITY</u></b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND BALANCES:</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	1,093	-	1,093
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>1,093</u></b>	<b><u>-</u></b>	<b><u>1,093</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,093</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,093</u></b>

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

**TOWN OF BOKCHITO, OKLAHOMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>SPECIAL REVENUE FUNDS</u>		Total Nonmajor Governmental Funds
	<u>VOLUNTEER FIREFIGHTERS FUND</u>	<u>SIDEWALK FUND</u>	
<b><u>REVENUES:</u></b>			
Vehicle Taxes	\$ -	\$ -	\$ -
Gasoline Taxes	-	-	-
Charges for Services	-	-	-
Ambulance Subsidy	-	-	-
Grant Revenue	4,413	-	4,413
FEMA	-	-	-
Donations & Fundraisers	6,600	-	6,600
Interest Income	3	-	3
Miscellaneous Income	7,143	-	7,143
<b>TOTAL REVENUES</b>	<b>18,158</b>	<b>-</b>	<b>18,158</b>
<b><u>EXPENDITURES:</u></b>			
Current:			
Personal Services	-	-	-
Maintenance & Operations	19,053	-	19,053
Capital Outlay	-	-	-
Debt Service - Principal & Interest	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>19,053</b>	<b>-</b>	<b>19,053</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(895)</b>	<b>-</b>	<b>(895)</b>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Operating Transfers In	-	-	-
Operating Transfers Out	-	(3,496)	(3,496)
Capital Debt Proceeds	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(3,496)</b>	<b>(3,496)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(895)</b>	<b>(3,496)</b>	<b>(4,391)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>1,688</b>	<b>3,496</b>	<b>5,183</b>
<b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>	<b>300</b>	<b>-</b>	<b>300</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 1,093</b>	<b>\$ -</b>	<b>\$ 1,093</b>

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