

AUDIT REPORT
TOWN OF OKTAHA, OKLAHOMA
&
OKTAHA PUBLIC WORKS AUTHORITY
JUNE 30, 2012



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TOWN OF OKTAHA, OKLAHOMA
JUNE 30, 2012

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TOWN OF OKTAHA, OKLAHOMA
BOARD OF TRUSTEES
JUNE 30, 2012

BOARD OF TRUSTEES

<u>NAME</u>	<u>Position</u>
Rick Whittle	Mayor
Ben Hale	Trustee
June Hall	Trustee

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Oktaha, 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 Oktaha, Oklahoma, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Town of Oktaha, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Oktaha, 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 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. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for 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 financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Oktaha, Oklahoma, as of June 30, 2012, and the changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

KERSHAW CPA & ASSOCIATES, PC

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In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2013, on our consideration of the Town of Oktaha, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Oktaha'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

June 28, 2013

TOWN OF OKTAHA, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	2012 Total	Memo Only 2011 Total
<u>ASSETS</u>				
<u>Current Assets:</u>				
Cash and cash equivalents	\$ 5,800	\$ 18,120	\$ 23,920	\$ 25,755
Accounts Receivable	145	1,415	1,560	1,734
Prepaid Insurance	-	-	-	-
Total Current Assets	<u>5,946</u>	<u>19,535</u>	<u>25,480</u>	<u>27,489</u>
<u>Capital Assets:</u>				
Sewer Improvements	-	171,927	171,927	160,868
Sewer System	-	3,051,305	3,051,305	3,033,123
Equipment	-	62,812	62,812	62,812
Less: Accumulated Depreciation	-	(3,069,145)	(3,069,145)	(3,054,947)
Total Capital Assets	<u>-</u>	<u>216,899</u>	<u>216,899</u>	<u>201,856</u>
TOTAL ASSETS	<u><u>5,946</u></u>	<u><u>236,434</u></u>	<u><u>242,379</u></u>	<u><u>229,345</u></u>
<u>LIABILITIES</u>				
<u>Current Liabilities:</u>				
Accounts Payable	340	-	340	333
Total Current Liabilities	<u>340</u>	<u>-</u>	<u>340</u>	<u>333</u>
<u>Long-Term Liabilities:</u>				
Notes Payable	-	-	-	-
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>340</u></u>	<u><u>-</u></u>	<u><u>340</u></u>	<u><u>333</u></u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	216,899	216,899	201,856
Restricted for:			-	-
Debt Service	-	-	-	-
Other Purposes	-	-	-	-
Unrestricted	5,606	19,535	25,141	27,156
TOTAL NET ASSETS	<u><u>\$ 5,606</u></u>	<u><u>\$ 236,434</u></u>	<u><u>\$ 242,040</u></u>	<u><u>\$ 229,012</u></u>

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

TOWN OF OKTAHA, OKLAHOMA
STATEMENT OF ACTIVITIES
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	
Governmental activities:					
General Government	\$ 10,884	\$ -	\$ -	\$ -	\$ (10,884)
Public Safety	-	-	-	-	-
Highways & Streets	3,342	-	-	-	(3,342)
Capital Outlay	-	-	-	-	-
Total Governmental Activities	14,226	-	-	-	(14,226)
Business-type activities:					
Water, Sewer & Sanitation	37,801	23,811	-	25,001	11,010
Total Business-type Activities	37,801	23,811	-	25,001	11,010
Total	\$ 52,027	\$ 23,811	\$ -	\$ 25,001	\$ (3,216)

Changes in Net Assets:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (14,226)	\$ 11,010	\$ (3,216)
General revenues:			
Taxes:			
Franchise Tax	11,489	-	11,489
Intergovernmental:			
Alcoholic Beverage Tax	1,362	-	1,362
Gasoline Excise Tax	723	-	723
Commercial Vehicle Tax	1,745	-	1,745
Investment Income	1	7	7
Miscellaneous	871	-	871
Transfers - Internal Activity	-	-	-
Total general revenues & transfers	16,190	7	16,197
Changes in net assets	1,964	11,017	12,981
Net assets - beginning	3,641	225,371	229,012
Net assets - prior year adjustment	-	46	46
Net assets - ending	\$ 5,606	\$ 236,434	\$ 242,040

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

**TOWN OF OKTAHA, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Capital Improvement Fund	Street & Alley Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,185	\$ -	\$ 1,615	\$ 5,800
Accounts Receivable	65	-	81	145
Prepaid Insurance	-	-	-	-
TOTAL ASSETS	\$ 4,249	\$ -	\$ 1,696	\$ 5,946
LIABILITIES & FUND EQUITY				
LIABILITIES:				
Accounts Payable	\$ 60	\$ -	\$ 280	\$ 340
TOTAL LIABILITIES	60	-	280	340
FUND BALANCES:				
Restricted	-	-	1,416	1,416
Unassigned	4,189	-	-	4,189
TOTAL FUND BALANCES	4,189	-	1,416	5,606
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,249	\$ -	\$ 1,696	\$ 5,946

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 \$0, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds. -

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

Net Assets of Governmental Activities **\$ 5,606**

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

TOWN OF OKTAHA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Capital Improvement Fund	Street & Alley Fund	Total Governmental Funds
<u>REVENUES:</u>				
Taxes:				
Franchise Tax	\$ 11,489	\$ -	\$ -	\$ 11,489
Intergovernmental:				
Alcoholic Beverage Tax	-	-	1,362	1,362
Gasoline Excise Tax	723	-	-	723
Motor Vehicle Tax	-	-	1,745	1,745
Grants	-	-	-	-
Miscellaneous Income	871	-	-	871
Interest Income	1	-	-	1
TOTAL REVENUES	13,083	-	3,107	16,190
<u>EXPENDITURES:</u>				
Current:				
General Government	10,884	-	-	10,884
Public Safety	-	-	-	-
Highways & Streets	-	-	3,342	3,342
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	10,884	-	3,342	14,226
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,200	-	(236)	1,964
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Capital Debt Proceeds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGES IN FUND BALANCES	2,200	-	(236)	1,964
FUND BALANCE - BEGINNING OF YEAR	1,990	-	1,652	3,641
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 4,189	\$ -	\$ 1,416	5,606

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

**TOWN OF OKTAHA, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012**

	Oktaha Public Works Authority Enterprise Fund June 30, 2012	Memo Only June 30, 2011
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 18,120	\$ 22,100
Accounts Receivable	1,415	1,415
Prepaid Insurance	-	-
Total Current Assets	19,535	23,515
Noncurrent Assets:		
Capital assets, net of accumulated depreciation	216,899	201,856
Total Noncurrent Assets	216,899	201,856
TOTAL ASSETS	236,434	225,371
<u>LIABILITIES & FUND EQUITY</u>		
Current Liabilities:		
Accounts Payable	-	-
Total Current Liabilities	-	-
Noncurrent Liabilities:		
Notes Payable	-	-
Total Noncurrent Liabilities	-	-
TOTAL LIABILITIES	-	-
NET ASSETS:		
Invested in capital assets, net of related debt	216,899	201,856
Restricted for debt service	-	-
Unrestricted	19,535	23,515
TOTAL NET ASSETS	\$ 236,434	\$ 225,371

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

TOWN OF OKTAHA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Oktaha Public Works Authority Enterprise Fund June 30, 2012	Memo Only June 30, 2011
<u>OPERATING REVENUES:</u>		
Charges for Services	\$ 23,811	\$ 31,128
Grant Income	25,001	29,394
Miscellaneous Income	-	5,500
TOTAL OPERATING REVENUES	48,811	66,022
<u>OPERATING EXPENSES:</u>		
Contract Labor	12,539	11,988
Utilities	2,629	2,898
Insurance	292	1,221
Professional Fees	20	-
Office Supplies	634	1,326
Maintenance & Operations	7,489	3,467
Depreciation	14,198	13,492
TOTAL OPERATING EXPENSES	37,801	34,394
NET OPERATING INCOME (LOSS)	11,010	31,628
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	7	47
Interest Expense	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	7	47
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	11,017	31,675
Capital Contributions	-	-
Transfers in	-	-
Transfers out	-	-
CHANGE IN NET ASSETS	11,017	31,675
TOTAL NET ASSETS - BEGINNING	225,371	193,696
TOTAL NET ASSETS - PRIOR YEAR ADJUSTMENT	46	-
TOTAL NET ASSETS - ENDING	\$ 236,434	\$ 225,371

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

EXHIBIT G

**TOWN OF OKTAHA, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>June 30, 2012</u>	<u>Memo Only June 30, 2011</u>
<u>Net Cash Flows from Operating Activities:</u>		
Cash Receipts from Customers	\$ 23,811	\$ 37,216
Cash Receipts from Granting Agencies	25,001	29,394
Payments to Suppliers for Goods & Services	(11,064)	(8,913)
Payments to Employees & Laborers	(12,539)	(11,988)
Net Cash Provided (Used) by Operating Activities	<u>25,208</u>	<u>45,709</u>
<u>Net Cash Flows from Non-Capital Financing Activities:</u>		
Transfers to other funds	-	-
Transfers from other funds	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>	<u>-</u>
<u>Net Cash Flows from Capital & Related Financing Activities:</u>		
Capital grant received for construction/purchase of capital assets	-	-
Additions to Capital Assets	(29,241)	(47,711)
Proceeds from sale of Capital Assets	-	-
Loan Proceeds received	-	-
Principal paid on Notes Payable	-	-
Interest paid	-	-
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(29,241)</u>	<u>(47,711)</u>
<u>Net Cash Flows from Investing Activities:</u>		
Interest Income	7	47
Net Cash Provided (Used) by Investing Activities	<u>7</u>	<u>47</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(4,026)</u>	<u>(1,955)</u>
Cash & Cash Equivalents, Beginning of Year	22,100	24,055
Cash & Cash Equivalents, Prior Year Adjustment	46	-
Cash & Cash Equivalents, End of Year	<u>\$ 18,120</u>	<u>\$ 22,100</u>
<u>Reconciliation of operating income (loss) to net cash provided</u>		
<u>operating activities:</u>		
Operating Income (Loss)	\$ 11,010	\$ 31,628
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	14,198	13,492
(Increase)Decrease in Accounts Receivable	-	589
(Increase)Decrease in Prepaid Insurance	-	-
Increase(Decrease) in Accounts Payable	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 25,208</u>	<u>\$ 45,709</u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The reporting entity includes the primary government of the Town of Oktaha, Oklahoma (the Town) and its component unit, Oktaha Public Works Authority (the Authority). Financial information for the Oktaha Public Works Authority is blended with the financial information of the Town of Oktaha as an enterprise fund. The Board of Trustees of the Town and the Authority are identical in membership. Financial transactions between the Town and the Authority occur on a regular basis. The Authority operates the sewer services of the Town. The Town does not have component units other than the Authority.

B. Funds

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The various funds are grouped by type in the financial statements. Major fund categories are:

GOVERNMENTAL FUND TYPES

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

PROPRIETARY FUND TYPES

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheets.

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

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

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

D. Basis of Accounting

The Town uses the accrual basis of accounting for governmental fund types. The accrual basis of accounting recognizes revenues when both measurable and available. Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

E. Budget and Budgetary Procedures

The Town of Oktaha has elected to comply with and operate in accordance with the terms and provisions of the Municipal Budget Act (Sections 17-201 through 17-216 of Title 11 of the Oklahoma Statutes). Revenues and expenditures are estimated based on prior year activity. The current year budget was not amended.

F. Cash and Cash Equivalents

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

G. Capital Assets

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. 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. The estimated useful life for the sewer system and improvements is 40 years.

Capitalization Policy

Purchases of capital items in excess of \$500.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

H. Equity Classification

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

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

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.”

I. 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.

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Street & Alley Fun d	Tax Income Grant Income

J. Revenues, expenditures and 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

Finance-related Legal & Contractual Provisions

Because the Town has no long-term debt, there are no reserve requirements.

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

Deficit Fund Balance or Retained Earnings

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

Excess of Expenditures Over Appropriations

As indicated, the Town operates under the Municipal Budget Act. As required by this Act, the budget was prepared and filed with the State Auditor and Inspector's office. A budgetary comparison schedule has not been provided for the current year financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At June 30, 2012, the Town held deposits of approximately \$23,920 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.

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

- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - RECEIVABLES

The Town and Authority have accrued amounts using the basis of accounting noted in 1(D). The Town has accrued certain taxes to be received in July 2012 as accounts receivable. The Authority has accrued amounts due as of June 30, 2012 as a result of its operation of the sewer system. The Authority has not reduced the accounts receivable by an allowance for doubtful accounts because it believes the ultimate amount received will be materially similar to the amount accrued.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment of the Authority is depreciated over the estimated useful life of the asset using the straight-line method, with one-half year depreciation in the year of acquisition or disposition. Estimated useful lives are: system facilities 40 years and equipment 5 to 10 years.

The value of the system along with the beginning balance for accumulated depreciation is based on estimates. The estimate is based on a construction date of approximately 1965 for the sewer system.

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

	Balance 6/30/11	Additions	Deductions	Balance 6/30/12
System Improvements	\$ 160,868	\$ 11,059	\$ -	\$ 171,927
System Facilities	3,033,123	18,182	-	3,051,305
Tractor & Equipment	62,812	-	-	62,812
Subtotal	3,256,803	29,241	-	3,286,044
Less: Accum. Depreciation	(3,054,947)	(14,198)	-	(3,069,145)
Total Capital Assets (Net of Depreciation)	<u>\$ 201,856</u>	<u>\$ 15,043</u>	<u>\$ -</u>	<u>\$ 216,899</u>

Depreciation expense for the year ended June 30, 2012, aggregating \$14,198, has been computed on assets with a cost basis totaling \$3,286,044.

NOTE 6 - LONG-TERM DEBT

The Town, including the Authority, currently has no long-term debt.

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

Changes in Long-Term Debt

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

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

NOTE 7 - FUND EQUITY

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

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

The Town does not have any restricted net assets.

Governmental Fund Balances

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

	General Fund	Capital Improvement Fund	Street & Alley Fund	Total Governmental Funds
FUND BALANCES:				
Restricted for:				
Capital Improvements	\$ -	\$ -	\$ -	\$ -
Street Improvements	-	-	1,416	1,416
Unassigned	4,189	-	-	4,189
Total	<u>\$ 4,189</u>	<u>\$ -</u>	<u>\$ 1,416</u>	<u>\$ 5,606</u>

NOTE 8 - CONTINGENCIES

Litigation

The Town currently has no pending litigation.

Federally Assisted Programs

In the normal course of operations, the Town participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the

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

grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 9 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through June 28, 2013, 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.

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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 Town Council
Town of Oktaha, 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 Oktaha, State of Oklahoma, as of June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 28, 2013, which was qualified for the improper capital asset recordkeeping. The Town of Oktaha has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the Town did not present the required MD&A or Budgetary Comparison Information. 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 Oktaha is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Oktaha'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 Oktaha's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Oktaha'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

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Findings that we consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are listed as Items 12-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the town council and management of the Town of Oktaha, Oklahoma 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

June 28, 2013

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

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.

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

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

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

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