

AUDIT REPORT

TOWN OF WHITEFIELD, OKLAHOMA

JUNE 30, 2012



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TOWN OF WHITEFIELD, OKLAHOMA
JUNE 30, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION:	
LIST OF ELECTED OFFICIALS	4
FINANCIAL SECTION:	
INDEPENDENT AUDITOR'S REPORT	5-6
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
EXHIBIT A STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	7
EXHIBIT B STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	8
Fund Financial Statements:	
EXHIBIT C BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	9
EXHIBIT D STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	10-11
EXHIBIT E STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	12
EXHIBIT F STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	13
EXHIBIT G STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	14
NOTES TO THE FINANCIAL STATEMENTS	15-24

TOWN OF WHITEFIELD, OKLAHOMA
JUNE 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION:

EXHIBIT H	BUDGETARY COMPARISON SCHEDULE	25
	NOTES TO BUDGETARY COMPARISON SCHEDULE	26
	REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	27-28
	SCHEDULE OF FINDINGS	29

TOWN OF WHITEFIELD, OKLAHOMA
LIST OF BOARD MEMBERS
JUNE 30, 2012

ELECTED OFFICIALS

<u>NAME</u>	<u>POSITION</u>
HAROLD ALVERSON	MAYOR
DANIELLE OLDHAM	TRUSTEE
LARRY MCGUIRE	TRUSTEE
JOHN BERRYMAN	TRUSTEE
VACANT POSITION	TRUSTEE

TOWN CLERK/TREASURER

BARBARA SHUMATE

Unaudited

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Whitefield, 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 Whitefield, Oklahoma, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Town of Whitefield, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Whitefield, 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 Whitefield, 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 14, 2012, on our consideration of the Town of Whitefield, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions

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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 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 Whitefield 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 Whitefield'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 14, 2012

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

	Governmental Activities	Business-Type Activities	2012 Total
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 143,957	\$ 80,819	\$ 224,776
Due from Other Funds	-	-	-
Total Current Assets	143,957	80,819	224,776
<u>Other Assets:</u>			
Restricted Cash and cash equivalents	-	9,873	9,873
Total Other Assets	-	9,873	9,873
<u>Capital Assets:</u>			
Capital Assets, net of Accum. Depreciation	-	-	-
Total Capital Assets	-	-	-
TOTAL ASSETS	143,957	90,692	234,649
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Notes Payable - Current Portion	-	2,256	2,256
Total Current Liabilities	-	2,256	2,256
<u>Long-Term Liabilities:</u>			
Notes Payable - Long-Term	-	120,101	120,101
Total Long-Term Liabilities	-	120,101	120,101
TOTAL LIABILITIES	-	122,357	122,357
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	-	(122,357)	(122,357)
Restricted for:			-
Debt Service	-	9,873	9,873
Other Purposes	-	-	-
Unrestricted	143,957	80,819	224,776
TOTAL NET ASSETS	\$ 143,957	\$ (31,665)	\$ 112,292

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

TOWN OF WHITEFIELD, 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	
Governmental activities:					
Current:					
General Government	\$ 51,092	\$ -	\$ -	\$ -	\$ (51,092)
Public Safety	1,525	-	-	-	(1,525)
Total Governmental Activities	52,618	-	-	-	(52,618)
Business-type activities:					
Sewer	29,272	29,764	-	-	492
Other Business-type Activities	-	-	-	-	-
Total Business-type Activities	29,272	29,764	-	-	492
Total	\$ 81,890	\$ 29,764	\$ -	\$ -	\$ (52,126)

Changes in Net Assets:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (52,618)	\$ 492	\$ (52,126)
General revenues:			
Taxes:			
Sales Tax	28,112	-	28,112
Use Tax	2,416	-	2,416
Cigar Tax	415	-	415
Franchise Tax	6,971	-	6,971
Intergovernmental:			
Alcoholic Beverage Tax	6,177	-	6,177
Gasoline Excise Tax	739	-	739
Motor Vehicle Tax	2,430	-	2,430
Rental Income	875	-	875
Miscellaneous Income	2,919	-	2,919
Interest Income	1,505	618	2,123
Transfers - Internal Activity	-	-	-
Total general revenues & transfers	52,560	618	53,178
Changes in net assets	(58)	1,110	1,053
Net assets - beginning	144,015	(32,776)	111,239
Net assets - prior year adjustment	-	-	-
Net assets - ending	\$ 143,957	\$ (31,665)	\$ 112,292

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

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

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash, including time deposits	\$ 143,957	\$ -	\$ 143,957
Due from other funds	-	-	-
TOTAL ASSETS	\$ 143,957	\$ -	\$ 143,957
LIABILITIES & FUND EQUITY			
LIABILITIES:			
Due to Other Funds	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-
FUND BALANCES:			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	143,957	-	143,957
TOTAL FUND BALANCES	143,957	-	143,957
TOTAL LIABILITIES AND FUND BALANCES	\$ 143,957	\$ -	

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 **\$ 143,957**

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

TOWN OF WHITEFIELD, 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	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>			
Taxes:			
Sales Tax	\$ 28,112	\$ -	\$ 28,112
Use Tax	2,416	-	2,416
Cigar Tax	415	-	415
Franchise Tax	6,971	-	6,971
Intergovernmental:			
Alcoholic Beverage Tax	6,177	-	6,177
Gasoline Excise Tax	739	-	739
Motor Vehicle Tax	2,430	-	2,430
Grants	-	-	-
Rental Income	875	-	875
Miscellaneous Income	2,919	-	2,919
Interest Income	1,505	-	1,505
TOTAL REVENUES	52,560	-	52,560
<u>EXPENDITURES:</u>			
Current:			
General Government	51,092	-	51,092
Public Safety - Fire	1,525	-	1,525
Debt Service	-	-	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	52,618	-	52,618
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(58)	-	(58)
<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	(58)	-	(58)
FUND BALANCE - BEGINNING OF YEAR	144,015	-	144,015
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-
FUND BALANCE - END OF YEAR	\$ 143,957	\$ -	143,957

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

TOWN OF WHITEFIELD, 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	\$	(58)
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		-
Change in Net Assets of Governmental Activities	\$	(58)

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

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

	<u>Whitefield Municipal Authority Enterprise Fund June 30, 2012</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 80,819
Due from Other Funds	-
Total Current Assets	<u>80,819</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	9,873
Capital assets, net of accumulated depreciation	-
Total Noncurrent Assets	<u>9,873</u>
TOTAL ASSETS	<u>90,692</u>
<u>LIABILITIES & FUND EQUITY</u>	
Current Liabilities:	
Current portion of Notes Payable	<u>2,256</u>
Total Current Liabilities	<u>2,256</u>
Noncurrent Liabilities:	
Notes Payable - USDA Rural Development	122,357
Less: Current Portion	<u>(2,256)</u>
Total Noncurrent Liabilities	<u>120,101</u>
TOTAL LIABILITIES	<u>122,357</u>
NET ASSETS:	
Invested in capital assets, net of related debt	(122,357)
Restricted for debt service	9,873
Unrestricted	80,819
TOTAL NET ASSETS	<u><u>\$ (31,665)</u></u>

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

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

	Whitefield Municipal Authority Enterprise Fund
	June 30, 2012
<u>OPERATING REVENUES:</u>	
Sewer Charges	\$ 28,139
Tap Fees	1,625
Miscellaneous	-
TOTAL OPERATING REVENUES	29,764
<u>OPERATING EXPENSES:</u>	
Current:	
Sewer:	
Utilities	4,465
Trustee Expense	1,975
Supplies/Repairs	1,885
DEQ	572
Insurance/Bonds	1,450
Testing	950
Wages	3,800
Professional Fees	8,545
Miscellaneous	71
Depreciation	-
TOTAL OPERATING EXPENSES	23,713
NET OPERATING INCOME (LOSS)	6,051
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	618
Interest Expense	(5,559)
Grant Income	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(4,941)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	1,110
Transfers in	-
Transfers out	-
CHANGE IN NET ASSETS	1,110
TOTAL NET ASSETS - BEGINNING	(32,776)
TOTAL NET ASSETS - PRIOR YEAR ADJUSTMENT	-
TOTAL NET ASSETS - ENDING	\$ (31,665)

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

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

	<u>June 30, 2012</u>
<u>Net Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 29,764
Payments to Suppliers, Employees & Laborers	(23,713)
Net Cash Provided (Used) by Operating Activities	<u>6,051</u>
<u>Net Cash Flows from Non-Capital Financing Activities:</u>	
Grant Income	-
Operating Transfers in	-
Operating Transfers Out	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>
<u>Net Cash Flows from Capital & Related Financing Activities:</u>	
Additions to Capital Assets	-
Loan Proceeds received	-
Principal paid	(2,157)
Interest paid	(5,559)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(7,716)</u>
Net Cash Flows from Investing Activities:	
Interest Earned	<u>618</u>
Net Cash Provided (Used) by Investing Activities	<u>618</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,047)
Cash & Cash Equivalents, Beginning of Year	91,739
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	<u><u>\$ 90,692</u></u>
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Net Operating Income (Loss)	\$ 6,051
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation Expense	-
(Increase)Decrease in Due from Other Funds	-
Increase(Decrease) in Due to Other Funds	-
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 6,051</u></u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Whitefield, 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 Whitefield, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a five member board of trustees. The trustees elect a mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety (fire), streets and public works (sewer) for the geographical area organized as the Town of Whitefield, Oklahoma.

The Town, for financial purposes, includes all of the funds relevant to the operations of the Town of Whitefield. 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 Whitefield.

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 Whitefield Municipal 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

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

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

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

non-exchange revenues. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services.

Fund Financial Statements

The Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of government and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

Fund Accounting

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are two categories of funds: governmental a proprietary.

Governmental Fund Types

Governmental Fund Types are used to account for the Town's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenue, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting certain assets and their related revenue and certain liabilities and their related expenses are not recorded in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting.

The following are the Town's major governmental funds:

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

Special Revenue Funds account for revenue sources that are either legally restricted to expenditures for specific purposes or designated

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

to finance particular functions of the Town. The Town currently has no Special Revenue Funds.

Proprietary Fund Types

The MA Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing services, such as sewer, water and trash, on a continuing basis, are financed through user charges, paid by the general public. Proprietary fund types utilize the modified cash basis of accounting. Under this method, revenues and expenses are recorded when they result from cash transactions.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statements of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

2. Restricted Cash

The restricted cash is the result of financial requirements of promissory notes between the Whitefield Municipal Authority and the USDA Rural Development which consist of funds held in a Debt Service Reserve Account.

3. Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

4. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of governmental fund-type and proprietary fund inventories are recorded as expenditures when purchased rather than when consumed.

5. Capital Assets

The Town has not maintained accurate capital asset records to support 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 is not readily available. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental Activities is not readily determinable.

6. 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.

7. 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 generally 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)

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 WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

8. Equity Classification

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

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

Fund Balance

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

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

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

unassigned amounts of unrestricted fund balance when expenditures are made.

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

The Town currently does not have any Major Special Revenue Funds.

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 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2012, the Town held deposits of approximately \$234,649 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 District 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

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

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.).

NOTE 4 - RESTRICTED ASSETS

The loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the Authority to set aside into a Reserve Account an accumulated amount equal to the sum of the annual installment (\$7,716), after which deposits may be suspended, except to replace withdrawals. The Authority cannot withdraw funds from the reserve account without USDA approval. As of June 30, 2012, the Authority was required to have at least \$7,716.00 set aside in the reserve account; as of that date the account balance for the reserve account was \$9,873.38, which complies with the covenants of the loan agreement.

NOTE 5 - CAPITAL ASSETS

Town of Whitefield:

The Town does not maintain capital asset records.

Whitefield Municipal Authority:

The Municipal Authority does not maintain capital asset records.

NOTE 6 - LONG-TERM DEBT

Government Fund Debt

The Town currently does not have any Government Fund Debt.

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

Whitefield Municipal Authority Debt

The Whitefield Municipal Authority entered into a loan agreement with Rural Development (USDA). The original loan amount is \$140,000 with a 40-year term. Repayment will be made in monthly payments of \$643.00 with an interest rate of 4.50%. This note is secured by a mortgage on the land, equipment, and revenues of the sewer system.

Changes in 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	\$ 124,514.18	\$ -	\$ (2,156.72)	\$ 122,357.46
Total BPUA Long-Term Debt	<u>\$ 124,514.18</u>	<u>\$ -</u>	<u>\$ (2,156.72)</u>	<u>\$ 122,357.46</u>

Debt Service Requirements to Maturity for Long-Term Debt

USDA - Rural Development:

FYE June 30,	Principal	Interest	Total
2013	\$ 2,256.09	\$ 5,459.91	\$ 7,716.00
2014	2,359.75	5,356.25	7,716.00
2015	2,468.16	5,247.84	7,716.00
2016	2,581.54	5,134.46	7,716.00
2017	2,700.12	5,015.88	7,716.00
2018-2022	15,479.32	23,100.68	38,580.00
2023-2027	19,376.90	19,203.10	38,580.00
2028-2032	24,255.90	14,324.10	38,580.00
2033-2037	30,363.41	8,216.59	38,580.00
2038-2040	20,516.27	1,375.37	21,891.64
	<u>\$ 122,357.46</u>	<u>\$ 92,434.18</u>	<u>\$ 214,791.64</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Grant Programs

The Town participates in the certain federal and state grant programs as available, currently the town is not participating in any ongoing programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. The amount of expenditures that may be disallowed by the granting agency cannot be determined at this time, although it is believed by the Town that the amount, if any, would not be significant.

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

Litigation

The financial statements do not include accrual or provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, such judgments may become liabilities only of the Debt Service Fund and only in the year in which tax revenue is specifically assessed for payment of the claim, and only to the extent of the taxes so specifically assessed in that year. Such claims are generally paid through special tax assessments over a three-year period.

Accordingly, the Town believes that such claims should be recorded in the year in which taxes are assessed for payment on the claim, only to the extent of such tax revenue that is actually provided. This method is preferable to the conflicting rule for treatment of loss contingencies as set out in Statement of Financial Accounting Standards No.5 (issued by the Financial Accounting Standards Board) wherein contingencies should be recorded in full in the year in which it is probable that a liability has been created if the amount of loss can be reasonably estimated.

NOTE 8 - EMPLOYEE RETIREMENT PLAN

Description of the Plan

Only the Town's volunteer firemen are covered by a pension plan. This noncontributory plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). The Oklahoma Firefighters Pension and Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105-3414, or by calling 1-800-525-7461.

Funding Policy

The Town is required to make annual contributions of \$60.00 per active volunteer fireman to OFPRS. This contribution covers a portion of the cost of benefits that will be paid to vested volunteer firemen. Additional funding comes from a percentage on all taxes collected on premiums collected by insurance companies and appropriation by the State of Oklahoma.

The Town's contribution to OFPRS was \$780.00 for 2012.

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

NOTE 9 - GOVERNMENTAL FUND BALANCES

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

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES:			
Assigned	\$ -	\$ -	\$ -
Unassigned	143,957	-	143,957
Total	\$ 143,957	\$ -	\$ 143,957

NOTE 10 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through November 14, 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 WHITEFIELD, 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>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Beginning Budgetary Fund Balance:	\$ 144,905	\$144,905	\$144,015	\$ (890)
<u>Resources (Inflows):</u>				
Sales Tax	26,639	26,639	28,112	1,473
Use Tax	1,669	1,669	2,416	747
Cigar Tax	391	391	415	24
Franchise Tax	6,568	6,568	6,971	403
Alcoholic Beverage Tax	2,800	2,800	6,177	3,377
Gasoline Excise Tax	372	372	739	367
Commercial Vehicle Tax	-	-	2,430	2,430
Grants	-	-	-	-
Rental Income	1,109	1,109	875	(234)
Interest Income	1,957	1,957	1,505	(452)
Miscellaneous Income	1,403	1,403	2,919	1,516
Transfers In	-	-	-	-
Amounts available for appropriation	<u>187,813</u>	<u>187,813</u>	<u>196,575</u>	<u>8,761</u>
<u>Charges to Appropriations (Outflows):</u>				
General Government	74,000	74,000	51,092	22,908
Public Safety - Fire	16,000	16,000	1,525	14,475
Debt Service	-	-	-	-
Capital Outlay	97,813	97,813	-	97,813
Transfers Out	-	-	-	-
Total Charges to Appropriations	<u>187,813</u>	<u>187,813</u>	<u>52,618</u>	<u>135,196</u>
Prior Year Adjustments to Fund Balance	-	-	-	-
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>143,957</u>	<u>143,957</u>

TOWN OF WHITEFIELD, 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.

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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 Whitefield, 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 Whitefield, 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 14, 2012, which was qualified for the effect on the basic financial statements for the improper capital asset recordkeeping. The Town of Whitefield 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 Whitefield is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Whitefield'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 Whitefield's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Whitefield'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 Item 12-01. A significant deficiency is a deficiency, or a combination of

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

This report is intended solely for the information and use of the board of trustees and management of the Town of Whitefield, 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

November 14, 2012

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

INTERNAL CONTROL FINDINGS:

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 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 Town.

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