TOWN OF PORTER, OKLAHOMA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS REPORT

FOR THE YEAR ENDED
JUNE 30, 2012

Town of Porter, Oklahoma
Report on Audit of Financial Statements
June 30, 2012

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Town of Porter, Oklahoma
Report on Audit of Financial Statements
June 30, 2012

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TOWN OF PORTER, OKLAHOMA

TOWN OFFICIALS

JUNE 30, 2012

BOARD OF TRUSTEES

TOMMY COBB	MAYOR
DAVID GREENO	COUNCIL MEMBER
RICHARD KECK	COUNCIL MEMBER
BRADAH LITTLEFIELD	COUNCIL MEMBER
STEVEN T. RUSH	COUNCIL MEMBER

TOWN CLERK

SHIRLEY HERRING

TOWN TREASURER

JOY HENDRIX

SAMUEL S ALEXANDER
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Town of Porter
Porter, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, major funds and remaining fund information, which collectively comprise the basic financial statements of the Town of Porter, Oklahoma as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of the Town of Porter's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my 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. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 to the financial statements, management has not recorded capital assets, including general infrastructure assets, in the governmental activities and, accordingly has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including general infrastructure assets, be capitalized and depreciated, which would increase the assets, net assets and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets and expenses of the governmental activities is not reasonably determinable.

In my opinion, because of the effects of the matter discussed in the preceding paragraph, the governmental activities financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Porter, Oklahoma, as of June 30, 2012, and the changes in financial position thereof for the year then ended.

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

The Town of Porter, Oklahoma has not presented the Management's Discussion and Analysis. Management's Discussion and Analysis is not a required part of the basic financial statements, but supplementary information required by the Governmental Accounting Standards Board (GASB).

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The major fund budgetary comparison information, combining financial statements and supporting schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Porter, Oklahoma. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 5, 2012, on my consideration of the Town of Porter, Oklahoma's internal control over financial reporting and my tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

December 5, 2012
Wagoner, Oklahoma

TOWN OF PORTER, OKLAHOMA
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 159,320	$ 191,466	$ 350,786
Accounts receivable	10,772	33,194	43,966
Prepaid expense	3,796	2,324	6,120
Total current assets	173,888	226,984	400,872
Noncurrent assets:			
Capital assets:			
Land	-	12,798	12,798
Plant in service	-	1,752,279	1,752,279
Less: Accumulated Depreciation	-	(1,262,513)	(1,262,513)
Total capital assets	-	502,564	502,564
Total assets	173,888	729,548	903,436
LIABILITIES			
Current liabilities:			
Accounts payable	14,951	27,830	42,781
Accrued salaries	-	3,586	3,586
Vacation payable	-	5,388	5,388
Total current liabilities	14,951	36,804	51,755
NET ASSETS			
Invested in capital assets, net of related debt	-	559,338	559,338
Unrestricted	158,937	133,406	292,343
Total net assets	$ 158,937	$ 692,744	$ 851,681

The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the fiscal year ended June 30, 2012

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Functions/programs:							
Governmental Activities:							
General government	$ 73,758	$ 3,891	$9,057	$ -	-$60,810	$ -	-$60,810
Public safety	156,605	44,072	-	-	-112,533	-	(112,533)
Streets	5,961	-	-	-	-5,961	-	(5,961)
Cemetery	2,897	3,788	-	-	891	-	891
Total governmental activities	239,221	51,751	9,057	-	(178,413)	-	(178,413)
Business-type activities							
Water, sewer and trash	455,996	460,204	-	-	-	4,208	4,208
Totals	$695,217	$ 511,955	$ 9,057	$ -	(178,413)	4,208	(174,205)
General revenues							
Sales taxes					110,805	-	110,805
Other taxes					25,268	-	25,268
Unrestricted interest earnings					854	680	1,534
Miscellaneous					21,157	2,150	23,307
Total general revenues					158,084	2,830	160,914
Change in net assets					(20,329)	7,038	(13,291)
Net Assets, beginning of year					179,266	685,706	864,972
Net Assets, end of year					$ 158,937	$ 692,744	$ 851,681

The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 35,583	$ 123,737	$ 159,320
Accounts receivable	10,772		10,772
Prepaid insurance	3,796		3,796
Total assets	$ 50,151	$ 123,737	$ 173,888
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 14,951	$ -	$ 14,951
Fund balances:			
Unreserved:			
Undesignated, reported in:			
General fund	35,200	-	35,200
Special revenue funds	-	122,987	122,987
Debt service fund	-	750	750
Total fund balances	35,200	123,737	158,937
Total liabilities and fund balances	$ 50,151	$ 123,737	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	
Capital outlay expenditures	-
Accumulated depreciation	-
Note: The Town of Porter does not maintain a record of the Town's capital outlay and does not record depreciation of the Town's fixed assets.	
Net assets of governmental activities	$ 158,937

The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Sales taxes	$ 97,102	$ 13,703	$ 110,805
Other taxes	20,332	4,936	25,268
Fees and fines	44,072	-	44,072
Charges for services	3,891	3,788	7,679
Grants	3,998	-	3,998
Interest	854	-	854
Donations	1,000	4,059	5,059
Insurance proceeds	8,165	-	8,165
Miscellaneous	12,992	-	12,992
Total revenues	192,406	26,486	218,892
Expenditures:			
General government	73,758	-	73,758
Public safety	156,605	-	156,605
Streets & lights	-	8,858	8,858
Total expenditures	230,363	8,858	239,221
Excess of revenues over (under) expenditures	(37,957)	17,628	(20,329)
Fund balances - beginning	73,157	106,109	179,266
Fund balances - ending	$ 35,200	$ 123,737	$ 158,937

The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
For the fiscal year ended June 30, 2012

Reconciliation of the change in fund balances: total governmental funds to the change in net assets of the governmental activities:	
Net change in fund balances - governmental funds	$158,937
Amounts reported for governmental activities in the Statement of Activities are different because:	
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	-
Note: The Town of Porter does not maintain a record of the Town's capital outlay and does not record depreciation of the Town's fixed assets.	
Change in net assets of governmental activities	$158,937

The accompanying notes are integral part of these financial statements

TOWN OF PORTER, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

	Porter Public Works Authority
ASSETS	
Current assets	
Cash and cash equivalents	$ 191,466
Accounts receivable	33,194
Prepaid expense	2,324
Total current assets	226,984
Proper, plant & equipment	
Land	12,798
Plant in service	1,752,279
Total property, plant & equipment	1,765,077
Less: Accumulated depreciation	(1,262,513)
Net property, plant & equipment	502,564
Total assets	729,548
LIABILITIES AND FUND EQUITY	
Current liabilities	
Accounts payable	27,830
Accrued salaries	3,586
Vacation payable	5,388
Total current liabilities	36,804
NET ASSETS	
Invested in capital assets, net of related debt	559,338
Unrestricted	133,406
Total net assets	$ 692,744

The accompanying notes are an integral part of the financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND
For the fiscal year ended June 30, 2012

	Porter Public Works Authority
Operating revenues	
Garbage, sewer and water sales	$ 454,025
Charge for taps	3,850
Miscellaneous	150
Total operating revenues	458,025
Operating expenses	
Compensation	119,076
Workers' compensation insurance	4,675
Materials and supplies	15,571
Telephone and utilities	211,939
Legal and accounting	3,260
Miscellaneous	12,323
Equipment operation and maintenance	28,752
Insurance	7,046
Depreciation	50,179
Postage	3,491
Bad checks recovered	(316)
Total operating expenses	455,996
Operating income (loss)	2,029
Non-operating revenues (expenses)	
Interest income	680
REAP Grant	2,000
Total non-operating revenues (expenses)	2,680
Income before operating transfers	4,709
Operating transfers in (out) - Meter Deposit fund	2,329
Net income	7,038
Net assets - beginning of year	685,706
Net assets - end of year	$ 692,744

The accompanying notes are an integral part of the financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the fiscal year ended June 30, 2012

	Porter Public Works Authority
Cash flows from operating activities	
Receipts from customers	$ 457,362
Payments to employees	(116,429)
Payments to suppliers	(297,876)
Net cash provided (used) by operating activities	43,057
Cash flows from noncapital financing activities	
REAP Grant	2,000
Transfer (to) from other funds	2,329
	4,329
Cash flows from capital and related financing activities	
Purchase equipment	(4,028)
Net cash used by capital and related financing activities	(4,028)
Cash flows from investing activities	
Interest received	680
Net increase (decrease) in cash and cash equivalents	44,038
Net cash and cash equivalents - beginning of year	147,428
Net cash and cash equivalents - end of year	$ 191,466

The accompanying notes are an integral part of the financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (CONTINUED)
For the fiscal year ended June 30, 2012

	Porter Public Works Authority
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	2,029
Adjustments to reconcile net income to net cash provided by operating activities - Depreciation	50,179
(Increase) decrease in	
Accounts receivable	(663)
Prepaid expense	(1,424)
Increase (decrease) in	
Accounts payable	(5,731)
Accrued salaries payable	2,143
Accrued vacation payable	504
Deferred income, other accruals	(3,980)
Net cash provided by operations	$ 43,057

The accompanying notes are an integral part of the financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

ASSETS

	Agency Funds
Cash and cash equivalents	$ 26,287
Total assets	$ 26,287

LIABILITIES

Liabilities	
Fund balance	
Reserved for:	
Meter deposits	$ 23,943
Court bonds	2,344
Total liabilities	$ 26,287

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Porter (the "Town") comply with generally accepted accounting principles (GAAP) with regard to business-type activities but does not comply with GAAP with regard to governmental activities as discussed in Note 1 D. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, except for the omission described in Note 1 D., unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and framework and the more significant accounting policies are discussed in subsequent subsections of the Note.

A. REPORTING ENTITY

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Town's reporting entity.

Included with the reporting entity:

The Porter Public Works Authority (the "Authority") is a public trust created under applicable Oklahoma statutes. The Town is beneficiary of the trust. The Authority operates and maintains the water and sewer system. The Authority's governing board and trustees are the same as the Town's governing body. Transactions of the Authority are included in these financial statements as the enterprise fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include 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 and services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

B. BASIS OF PRESENTATION

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Capital Project Fund

The Town has no capital project funds.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the Town other than debt service payments made by the enterprise funds. In the prior year, a general long-term debt of the Town was paid in full.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurements similar to the private sector. The reporting entity includes the Porter Public Works Authority.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes two agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

Meter Deposit Fund

Court Bond Fund

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

B. BASIS OF PRESENTATION

Major and Non-major Funds

The funds are further classified as major or non-major as follows:

Major Funds:	**Brief Description**
General	See above for description.
Proprietary Fund	
Porter Public Works Authority	See above for description.
Non-major Funds:	
Special Revenue Funds:	
Street & Alley	Accounts for revenues & expenditures for streets.
Cemetery Care	Accounts for revenues & expenditures for cemetery care.
Cemetery Land Purchase	Accounts for revenues & expenditures for cemetery capital improvements.
Debt Service Fund	See above for description.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in items below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objective of this measurement focus is the determination of operating income, changes in net assets (or recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both the governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. Revenues, expenses, gains, losses, assets, liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic assets used.

D. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Investments – For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposit of the Town. Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2.

Inter-fund Receivables and Payables – There were no inter-fund receivables or payables.

Receivables – In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. All accounts receivable are considered collectable at year end. Major receivable balances for the governmental activities include sales taxes, grants and contracts. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, grants and contracts and other similar intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days, since they would be considered both measurable and available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

D. ASSETS, LIABILITIES AND FUND EQUITY

Inventories – The value of consumable inventories at June 30, 2012 is not material to the financial statements. Purchases of inventory items are considered expenditures at the time of purchase.

Fixed Assets – The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets for the proprietary fund. The Town does not maintain a record of the capital assets or infrastructure assets for governmental funds and, accordingly does not record depreciation expense on those assets. All fixed assets of the enterprise fund are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to report the majority of the buildings and infrastructures. Historical cost was used to report land, furniture and equipment.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Utility system	10 - 40 years
Machinery and Equipment	5 – 15 years
Vehicles	5 years

In the government-wide financial statements, all machinery, equipment, furniture and automobiles costing $ 500 or more have been capitalized and depreciated over the estimated useful life. Repairs, remodeling and construction costing $ 1,500 or more have been capitalized and depreciated over the estimated useful life.

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets in the proprietary fund operations are accounted for the same as in the governmental-wide statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

D. ASSETS, LIABILITIES AND FUND EQUITY

The accounting treatment for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Compensated Absences – The Town's policies regarding vacation time permits employees to accumulate earned but unused vacation leave. The liability for these compensated absences is considered and recorded as short-term debt in the government-wide statements. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-wide Statements

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

a. 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 improvement of those assets.

b. Restricted net assets – Consists of net assets with constraints placed on the use whether by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. 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 Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax Revenues – The Town presently levies a four-cent sales tax on taxable sales within the Town. Three and one half cents of the sales tax is recorded in the General Fund and one half cent is recorded in the Street and Alley Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

E. REVENUES, EXPENDITURES AND EXPENSES

Operating Revenues and Expenses – Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses – In the government-wide financial statements, expenses are classified by function of governmental activities.

In the fund financial statements, governmental funds report expenditures of financial resources. Those expenditures are classified as follows:

Governmental Funds – by Character: Current (further classified by function)
Debt service
Capital Outlay

NOTE 2 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. CASH AND INVESTMENTS

The Town's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost, which approximates market value.

Cash – The Town's cash deposits at June 30, 2012, are categorized to give an indication of the level of risk assumed by the Town at year end.

Investments – The Town's investments consist of certificates of deposit and direct obligations of the United States Government at June 30, 2012, and are categorized to give an indication of the level of risk assumed by the Town at year end.

Deposit Categories of Credit Risk

(A) Insured or collateralized with securities held by the Town or by its agent in the Town's name.

A. CASH AND INVESTMENTS

(B) Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

(C) Uncollateralized.

	Category			Bank	Carrying	Market
	(A)	(B)	(C)	Balance	Amount	Value
Cash and cash equivalents	$ 350,786	-	-	351,621	350,786	350,786
	-		-			
Totals	$ 350,786	-	-	351,621	350,786	350,786

Reconciliation to Government-wide Statement of Net Assets:	
Unrestricted cash, including time deposits	$ 350,786
Restricted cash, including time deposits	
Agency fund cash, including time deposits (not included in government-wide statement)	26,287
Total cash and investments	$ 377,073

NOTE 2 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CON'T)

B. RECEIVABLES

Receivables consist of governmental and business-type activities. Receivables detailed at June 30, 2011 were as follows:

	Total
Water, sewer and trash utilities	$ 33,194
Taxes	10,772
Net accounts receivable	$ 43,966

NOTE 2 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CON'T)

C. INVENTORIES

The value of consumable inventories at June 30, 2012 is not material to the financial statements. Purchases for inventory items are considered expenditures at the time the items were encumbered.

D. CAPITAL ASSETS

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Business-type activities:				
Land	$ 12,798	-	-	12,798
Plant and equipment	1,748,251	4,028	-	1,752,279
Totals at historical cost	1,761,049	4,028	-	1,765,077
Less: Accumulated depreciation				-
Plant and equipment	(1,212,334)	(50,179)	-	(1,262,513)
Business-type activities capital assets, net	$ 548,715	(46,151)	-	502,564

E. ACCOUNTS PAYABLE

Accounts payable in the general fund, non-major governmental funds and the Public Works Authority are composed of payables to vendors, accrued salaries and compensated absences.

Inter-fund Receivables and Payables – There were no inter-fund receivables or payables at June 30, 2012.

F. CAPITAL LEASES

The Town had no capital leases at June 30, 2012.

G. INTER-FUND TRANSACATIONS:

Inter-fund transfers are reported as operating transfers.

NOTE 3 – OTHER NOTES

A. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

B. LEGAL COMPLIANCE – BUDGETS

The proposed budget is presented to the Town's council for review. The Town's council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Town's management or the revenue estimates must be changed by an affirmative vote of a majority of the Town's council. During the year, supplemental appropriations were necessary.

Expenditures may not legally exceed budgeted appropriations at the activity level.

C. OTHER POST EMPLOYMENT BENEFITS

The Town does not offer any early retirement incentive plans.

D. EMPLOYEE RETIREMENT SYSTEM

The Town does not offer any retirement plan.

E. RISK MANAGEMENT

The Town participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the Town reports the required contribution to the pool, net of refunds, as insurance expense.

F. CONTINGENT LIABILITIES

According to management and legal counsel, there were no known contingent liabilities at June 30, 2012 that would have a material effect on the financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET VS. ACTUAL COMPARISON
GENERAL FUND
For the fiscal year ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget
Revenue	Original	Final	Actual	Pos (Neg)
Sales tax	$ 90,000	$ 90,000	$ 97,102	$ 7,102
Utility franchise tax	13,000	13,000	13,079	79
Alcoholic beverage tax	4,600	4,600	4,510	(90)
Use tax	17,200	17,200	15,822	(1,378)
Fines & forfeits	57,000	57,000	30,993	(26,007)
Charges for services	3,455	3,455	3,891	436
Grant	4,000	4,000	3,998	(2)
Interest	1,400	1,400	854	(546)
Insurance proceeds	8,200	8,200	8,165	(35)
Donations	1,100	1,100	1,000	(100)
Miscellaneous	9,000	9,000	12,992	3,992
Total Revenues	208,955	208,955	192,406	(16,549)
Expenditures				
General government	79,950	79,950	73,758	6,192
Police and fire department	161,850	161,850	156,605	5,245
Total Expenditures	241,800	241,800	230,363	11,437
Excess of revenues over (under) expenditures	(32,845)	(32,845)	(37,957)	(5,112)
Carryover - prior years	32,845	32,845	-	(32,845)
	$ -	$ -	$ (37,957)	$ (37,957)

The accompanying notes are an integral part of the financial statements.

TOWN OF PORTER, OKLAHOMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2012

ASSETS	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Street & Alley	Cemetery	Cemetery Land Purchase	Sinking Fund	
Cash and cash equivalents	$ 87,869	$ 17,027	$ 18,091	$ 750	123,737
IABILITIES AND FUND BALANCE					
Liabilities	$ -	$ -	$ -	$ -	$ -
Fund balances					
Unreserved					
Designated for Debt Service	-	-	-	750	750
Undesignated	87,869	17,027	18,091	-	122,987
Total fund balances	87,869	17,027	18,091	750	123,737
Total liabilities and fund balanc	$ 87,869	$ 17,027	$ 18,091	$ 750	$ 123,737

The accompanying notes are an integral part of the financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2012

	Special Revenue			Debt Service	Total
	Street & Alley	Cemetery	Cemetery Land Purchase	Sinking Fund	Nonmajor Governmental Funds
Revenues					
Sales tax	$ 13,703	$ -	$ -	$ -	$ 13,703
Vehicle licenses	3,866	-	-	-	3,866
Gasoline excise	1,070	-	-	-	1,070
Miscellaneous	-	-	-	-	-
Lot sales and interments	-	1,575	2,213	-	3,788
Donations	-	4,059	-	-	4,059
Total Revenues	18,639	5,634	2,213	-	26,486
Expenditures					
General government					
Personal services	-	1,640	-	-	1,640
Streets	5,961	-	-	-	5,961
Maintenance & operations	-	1,257		-	1,257
Total Expenditures	5,961	2,897	-	-	8,858
Excess of revenues over (under) expenditures	12,678	2,737	2,213	-	17,628
Other financing sources (uses)					
Operating transfers in (out)	-	-	-	-	-
Sale of general fixed assets	-	-	-	-	-
Total other financing sources (use	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other (uses)	12,678	2,737	2,213	-	17,628
Fund balances - beginning	75,191	14,290	15,878	750	106,109
Fund balances - ending	$ 87,869	$ 17,027	$ 18,091	$ 750	$ 123,737

The accompanying notes are an integral part of the financial statements.

SAMUEL S. ALEXANDER
Certified Public Accountant

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

The Board of Trustees
Town of Porter
Porter, Oklahoma

I have audited the financial statements of the Town of Porter, Oklahoma, as of and for the year ended June 30, 2012, and have issued my report thereon dated December 5, 2012, which was qualified with regard to governmental activities because of the omission of the capital assets, including infrastructure assets, and related depreciation required by accounting principles generally accepted in the United States of America. Also, my report was unqualified with regard to the business-type activities. I conducted my audits 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Porter's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Porter's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town of Porter, Oklahoma's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. My audit disclosed that the Town has only two employees directly involved in the initiation and recording of financial transactions. This precludes the adequate separation of duties necessary to affect all desirable controls.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Board of Trustee and management and is not intended to be and should not be used by any one other than these specified parties.

December 5, 2012
Wagoner, Oklahoma

TOWN OF PORTER, OKLAHOMA
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS
JUNE 30, 2012

Lack of Segregation of Duties

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent proper segregation of accounting functions necessary to assure adequate internal controls continued in the current fiscal year.