

**Town of Eakly, Oklahoma**  
**Financial Statements and Report**  
**of Independent Accountants**  
**As of and For the Year Ending**  
**June 30, 2013**

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# Russell & Williams CPAs, PC

Casey J. Russell, C.P.A., M.B.A.  
Autumn L. Williams, C.P.A., Esq.  
Member AICPA & OSCPA

2812 NW 57<sup>th</sup> Street, Suite 102  
Oklahoma City, Oklahoma 73112

Phone: (405) 607-8743  
Fax: (405) 607-8744  
Email: caseycpa@hotmail.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Town of Eakly, Oklahoma

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Eakly, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Adverse
General Fund	Unmodified
Proprietary Fund	Adverse
Aggregate Remaining Fund Information	Unmodified

### **Basis for Adverse Opinion on Business-Type Activities and Proprietary Fund**

As discussed in Note 1 to the financial statements, management has not recorded capital assets in the business-type activities and proprietary fund and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the business-type activities and proprietary fund. The amount by which this departure would affect the assets, net position, and expenses of the business-type activities and proprietary fund has not been determined.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Business-Type Activities and Proprietary Fund” paragraph, the financial statements referred to above do not present fairly the financial position of the business-type activities and proprietary fund of the City of Eakly, Oklahoma as of June 30, 2013, or the changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Eakly, Oklahoma, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with the modified cash basis of accounting described in Note A.

### **Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements re prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015, on our consideration of the Town of Eakly, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Eakly, Oklahoma’s internal control over financial reporting and compliance



Oklahoma City, Oklahoma  
June 5, 2015

**Town of Eakly**  
**Statement of Net Assets - Modified Cash Basis**  
**June 30, 2013**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash in Bank - Unrestricted	173,263.62	72,790.74	246,054.36
Cash in Bank - Restricted	-	20,919.24	20,919.24
<b>Total Current Assets</b>	173,263.62	93,709.98	266,973.60
<b>Noncurrent Assets:</b>			
Capital Assets, net	127,571.97	-	127,571.97
<b>Total Noncurrent Assets</b>	127,571.97	-	127,571.97
<b>TOTAL ASSETS</b>	\$ 300,835.59	\$ 93,709.98	\$ 394,545.57
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Pavroll Taxes Payable	823.12	1,989.96	2,813.08
Meter Deposits	-	10,422.84	10,422.84
<b>Total Current Liabilities</b>	823.12	12,412.80	13,235.92
<b>Noncurrent Liabilities:</b>			
<b>TOTAL LIABILITIES</b>	823.12	12,412.80	13,235.92
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	127,571.97	-	127,571.97
Net Assets - Unrestricted	172,440.50	81,297.18	253,737.68
<b>TOTAL NET ASSETS</b>	300,012.47	81,297.18	381,309.65
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 300,835.59	\$ 93,709.98	\$ 394,545.57

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

**Town of Eakly**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ending June 30, 2013**

Functions/Programs	Expenses	Program Revenues		Net (expense) revenue and Changes in net assets		Total
		Charges for Services	Capital Grants	Primary Government Governmental Activities	Business-Type Activities	
Primary Government						
Governmental Activities						
General Government	81,551.69	8,066.99	17,237.22	(56,247.48)	-	(56,247.48)
Fire Department	36,639.42	25,530.20	-	(11,109.22)	-	(11,109.22)
EMS	6,870.96	7,615.96	-	745.00	-	745.00
Garbage	24,955.62	40,275.12	-	15,319.50	-	15,319.50
Town and Street Maintenance	15,488.12	-	-	(15,488.12)	-	(15,488.12)
Cemetery	511.92	840.21	-	328.29	-	328.29
Total Governmental Activities	166,017.73	82,328.48	17,237.22	(66,452.03)	-	(66,452.03)
Business-Type Activities						
Water Department	59,331.33	51,418.60	-	-	(7,912.73)	(7,912.73)
Sewer Department	19,777.11	36,649.18	-	-	16,872.07	16,872.07
Total Business-Type Activities	79,108.44	88,067.78	-	-	8,959.34	8,959.34
Total Primary Government	<u>\$ 245,126.17</u>	<u>\$ 170,396.26</u>	<u>\$ 17,237.22</u>	<u>\$ (66,452.03)</u>	<u>\$ 8,959.34</u>	<u>\$ (57,492.69)</u>
		General Revenues				
				34,025.90	-	34,025.90
				15,887.44	-	15,887.44
				636.57	387.38	1,023.95
				50,549.91	387.38	50,937.29
				(4,749.58)	4,749.58	-
				(20,651.70)	14,096.30	(6,555.40)
				320,664.17	67,200.88	387,865.05
				<u>\$ 300,012.47</u>	<u>\$ 81,297.18</u>	<u>\$ 381,309.65</u>

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

**Town of Eakly  
Governmental Funds  
Balance Sheet - Modified Cash Basis  
June 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Fund</u>
<b>ASSETS</b>			
Cash in Bank - Unrestricted	60,142.42	112,280.99	172,423.41
<b>Total Assets</b>	<u>\$ 60,142.42</u>	<u>\$ 112,280.99</u>	<u>\$ 172,423.41</u>
<b>LIABILITIES</b>			
Payroll Taxes Payable	823.12	-	823.12
<b>Total Liabilities</b>	823.12	-	823.12
<b>NET ASSETS</b>			
Unassigned	59,319.30	-	59,319.30
Restricted	-	113,121.20	113,121.20
<b>TOTAL NET ASSETS</b>	<u>59,319.30</u>	<u>113,121.20</u>	<u>172,440.50</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 60,142.42</u>	<u>\$ 113,121.20</u>	<u>\$ 173,263.62</u>

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

Total Governmental Fund Balances	\$ 172,440.50
Amounts reported for governmental activities in the statement net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>127,571.97</u>
Net Assets of Governmental Activities	<u>\$ 300,012.47</u>

**Town of Eakly  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Net Assets - Modified Cash Basis  
For the Year Ending June 30, 2013**

	General Fund	Special Revenue Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	49,913.34	-	49,913.34
Charges for Services	40,275.12	840.21	41,115.33
EMS Revenue	7,615.96	-	7,615.96
Rent	3,296.10	-	3,296.10
Interest	399.44	237.13	636.57
Grants	17,237.22	-	17,237.22
Other Revenues	3,600.89	26,700.20	30,301.09
<b>Total Revenues</b>	<u>122,338.07</u>	<u>27,777.54</u>	<u>150,115.61</u>
<b>Expenditures</b>			
General Government	65,834.19	1,034.00	66,868.19
Fire Department	393.92	22,137.81	22,531.73
EMS Services	6,870.96	-	6,870.96
Garbage	24,955.62	-	24,955.62
Town and Street Maintenance	15,488.12	-	15,488.12
Cemetary	-	511.92	511.92
<b>Total Expenditures</b>	<u>113,542.81</u>	<u>23,683.73</u>	<u>137,226.54</u>
Excess revenues over (under) expenditures	8,795.26	4,093.81	12,889.07
<b>Transfers In/Out</b>	<u>(4,749.58)</u>	<u>-</u>	<u>(4,749.58)</u>
Excess revenue over (under) expenditures after transfer	4,045.68	4,093.81	8,139.49
Net Assets at beginning of year	55,273.62	109,027.39	164,301.01
Net Assets at end of year	<u>\$ 59,319.30</u>	<u>\$ 113,121.20</u>	<u>\$ 172,440.50</u>

***Reconciliation of Fund Financial Statements to  
Governmental Wide Financial Statements***

Change in Net Assets, Fund Financial Statements	8,139.49
Government funds report capital outlays as expenditures. Capital outlay in government	
Depreciation recorded in the governmental wide financial statements not recorded in the fund financial statements.	<u>(28,791.19)</u>
Change in Net Assets per the Governmental Wide Financial Statements	<u>\$ (20,651.70)</u>

**Town of Eakly  
Proprietary Fund  
Statement of Net Assets - Modified Cash Basis  
June 30, 2013**

**ASSETS**

**Current Assets:**

Cash in Bank - Unrestricted	\$ 72,790.74
Cash in Bank - Restricted	<u>20,919.24</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 93,709.98</u></b>
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**LIABILITIES**

**Current Liabilities:**

Payroll Taxes Payable	1,989.96
Meter Deposits	<u>\$ 10,422.84</u>
<b>Total Current Liabilities</b>	<b>12,412.80</b>

**NET ASSETS**

Net Assets - Unrestricted	<u>81,297.18</u>
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<b>TOTAL NET ASSETS</b>	<b><u>81,297.18</u></b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 93,709.98</u></b>
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**Town of Eakly  
Proprietary Fund  
Statement of Revenues, Expenditures and Changes in Net Assets - Modified Cash Basis  
For the Year Ending June 30, 2013**

<b>Operating Revenues:</b>	
Water Sales	50,899.12
Sewer Fees	32,903.33
Miscellaneous Revenues	<u>4,265.33</u>
<b>Total Operating Revenues</b>	<b>88,067.78</b>
<b>Operating Expenditures:</b>	
Personnel Services	40,145.99
Maintenance and Operations	<u>38,962.45</u>
<b>Total Operating Expenditures</b>	<b>79,108.44</b>
Excess Revenues over Expenditures	8,959.34
<b>Non-operating Revenues (Expenditures)</b>	
Transfer in (out)	4,749.58
Interest Income	<u>387.38</u>
<b>Net Non-operating Revenues (Expenditures)</b>	<b>5,136.96</b>
Excess Revenues over (under) Expenditures after transfers	14,096.30
<b>Net Assets at beginning of year</b>	<u>67,200.88</u>
<b>Net Assets at end of year</b>	<b><u>\$ 81,297.18</u></b>

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

**Town of Eakly  
Proprietary Fund  
Statement of Cash Flows - Modified Cash Basis  
For the Year Ending June 30, 2013**

<b>Cash flows from operating activities</b>	
Receipts from customers	86,397.28
Interest Income	387.38
Transfers to other funds	4,749.58
Payments to employees	(38,156.03)
Payments to supplies	<u>(38,962.45)</u>
<b>Net cash provided by operating activities</b>	<b>14,415.76</b>
 <b>Cash flows from capital and related financing activities</b>	
Principal Paid on Long Term Debt	<u>-</u>
<b>Net cash flows from capital and related financing activities</b>	<b>-</b>
 <b>Net increase (decrease) in cash</b>	 <b>14,415.76</b>
 <b>Cash, Beginning of the Year</b>	 <u>79,294.22</u>
<b>Cash, End of the Year</b>	<b><u>\$ 93,709.98</u></b>

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

Change in Net Assets	14,096.30
Adjustments to reconcile change in net assets to net cash provided	
Increase (decrease) in customer deposits	(1,670.50)
Increase (decrease) in payroll liabilities	<u>1,989.96</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 14,415.76</u></b>

**Town of Eakly, Oklahoma**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2013**

**Note 1-Summary of Significant Accounting Policies**

Financial Reporting Entity

The Town of Eakly, Oklahoma is a statutory town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, utilities and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2013, the Town had only one component unit, the Eakly Development Corporation.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are grouped into two governmental fund types: general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2013, the Town had governmental funds of general fund, street and alley fund, cemetery care, fire fund and Christmas fund. The proprietary funds consisted of the Eakly Development Corporation.

Basis of Accounting

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

## FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

## GOVERNMENTAL FUNDS

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

### Revenue and Expenditure Recognition

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

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

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

### Cash and Cash Equivalents

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

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2012.

### Budget

In accordance with Oklahoma Statutes, Title 68, Section 3002, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code.

### Risk Management

Significant losses are covered by commercial insurance for all Town operations.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2-Deposits with Financial Institutions**

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Eakly is considered a separate entity from the Eakly Municipal Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Eakly's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of \$250,000 for the governmental funds and \$250,000 for the Eakly Development Corporation. The remaining funds would be category 3.

**Note 3-Capital Assets and Depreciation**

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

<u>Governmental Funds</u>	Beginning Balance	Increases	Decreases	Ending Balance
Vehicles	\$ 217,201	-	-	\$ 217,201
Buildings	50,000	-	-	50,000
Equipment	233,117	-	-	233,117
Total	500,318			500,318
Accumulated Depreciation	(343,954)	(28,791)		(372,745)
Net Assets	<u>\$ 156,364</u>			<u>\$ 127,573</u>

As of June 30, 2013, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available.

Depreciation of \$28,791 for the governmental funds was recorded as follows: general government \$14,684 and fire fund \$14,107.

**Note 4-Volunteer Firefighter Pension Plan**

The Town participates in the Oklahoma State Firefighters Pension and Retirement system which is a defined contribution plan applying only to the Town's volunteer firefighters. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. Contributions are made by the Town at the rate of \$60 per volunteer firefighter per year. The total contribution for 2012/2013 was \$480 and covered 8 volunteers.

**Note 5 – Defined Contribution Plan**

The Town participates in a qualified defined contribution pension plan established by the Oklahoma Municipal Retirement Fund to provide benefits at retirement to general employees of the town. At June 30, 2013, there were 3 plan members. Plan members are required to contribute 6.2 percent of covered salary. The town is required to contribute 6.2 percent of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Town.

**Note 6 – Subsequent Events**

Subsequent events have been evaluated through June 5, 2013, which is the date the financial statements were issued.

# Russell & Williams CPAs, PC

Casey J. Russell, C.P.A., M.B.A.  
Autumn L. Williams, C.P.A., Esq.  
Member AICPA & OSCPA

2812 NW 57<sup>th</sup>, Ste. 102  
Oklahoma City, Oklahoma 73112

Phone: (405) 607-8743  
Fax: (405) 607-8744  
Email: caseycpa@hotmail.com

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

To the Board of Trustees  
Eakly, Oklahoma

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Eakly, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Eakly, Oklahoma's basic financial statements and have issued our report thereon dated July 5, 2015. Our opinion on the business-type activities and proprietary fund was adverse due to the lack of capital asset accounting.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Eakly, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Eakly, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Eakly, Oklahoma's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, see 2013-1

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Eakly, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Town of Eakly, Oklahoma's Response to Findings**

Town of Eakly, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Eakly, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Samuel & Williams CPAs PC".

Oklahoma City, Oklahoma  
June 5, 2015

## Schedule of Findings and Responses

### **2013-1 Lack of Segregation of Duties (Repeat Finding)**

**Statement of Condition:** During our review of the internal control structure, we noted that several procedures lack the control of having segregated duties. We understand that due to the size of the Town and number of personnel, many aspects related to segregation of duties cannot be implemented. However, we noted that the utility billings clerk collects the payments from customers and also maintains the customer ledgers. The daily collections and reports are reviewed by the Treasurer but the Treasurer is also the utility billings clerk.

**Criteria:** There should be more separation of duties between record keeping and utility billings collections.

**Cause:** Limited personnel

**Effect:** The town is vulnerable to having utility billing receipts lost or stolen.

**Recommendation:** The town should either add more staff to create separation of duties or implement a policy of not accepting cash in town hall. Implementation of a non-cash policy would also help reduce the effects of limited staff.

**Management's Response:** Due to limited resources, controls will be limited.