# AUDIT REPORT

# OF

# *TOWN OF FLETCHER, OKLAHOMA*

**AS OF**

**JUNE 30, 2014**

**BY**

**JOHNSON, BADERTSCHER & MOORE, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

*TOWN OF FLETCHER, OKLAHOMA*

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**JUNE 30, 2014**


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# INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Fletcher, 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 Fletcher, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town'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. 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 opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fletcher, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–5 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fletcher, Oklahoma's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Johnson, Badertscher & Moore
JOHNSON, BADERTSCHER & MOORE, P.C.
Certified Public Accountants

Chickasha, Oklahoma
December 2, 2014

*TOWN OF FLETCHER, OKLAHOMA*

**Management Discussion and Analysis**

Our discussion and analysis of the Town of Fletcher's financial performance provided an overview of the Town's financial activities for the year ended June 30, 2014.

**Using the Audited Financial Statements**

The financial statements consist of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operation in more detail than the government-wide statements by providing information about the Town's most significant funds.

**Reporting on the Town as a Whole**

The Statement of Net Position and the Statement of Activities report information about the town as a whole and about its activities in a way that helps answer the question, did the Town's financial condition improve or deteriorate during the period in question. These statements include all assets and liabilities of the Town and are prepared using the accrual basis of accounting. Revenues and expenses are recorded when earned and incurred not when received. The government wide statements are broken up into two categories, governmental activities and business activities. Governmental activities include police, fire, streets, general government, cemetery and garbage services. Business activities is primarily water and sewer services.

**Fund Financial Statements**

The fund financial statements consist of the individual funds that are maintained by the Town. The general fund accounts for most Town services including fire, town and street maintenance and garbage. The street and alley fund accounts for street maintenance. Cemetery care is tracking the expenses and revenues generated by the Town's cemetery. The general fund and special revenue funds are classified as governmental funds. The Fletcher PWA accounts for the sale of water and sewer services. The Fletcher PWA is classified as an enterprise fund. What is not presented with the fund financial statements is any long-term debt associated with the governmental funds nor are the fixed assets associated with the governmental funds presented in the fund financial statements.

Presented at the bottom of the government wide financial statements is a reconciliation of the government wide financial statements net assets to the fund financial statements net assets and changes in fund net position.

*TOWN OF FLETCHER, OKLAHOMA*

**FINANCIAL DATA**

Selected financial data from the Town's government wide financial statements as follows:

| | 2014 | 2013 |
|---|---|---|
| Total non capital assets | $ 375,433 | $ 361,412 |
| Total capital assets | $1,720,652 | $1,792,386 |
| Total current liabilities | $ 114,245 | $ 98,068 |
| Total noncurrent liabilities | $ 293,446 | $ 371,246 |
| Net position unrestricted | $ 314,628 | $ 306,754 |
| Investment in capital position net of related debt | $1,362,879 | $1,369,891 |
| **Revenues** | | |
| Charges for services | $ 179,578 | $ 223,679 |
| Grants and contributions | $ 9,375 | $ 150,000 |
| Water and sewer | $ 273,074 | $ 286,978 |
| Sales taxes | $ 202,547 | $ 214,920 |
| Other taxes | $ 66,774 | $ 55,487 |
| Interest and other | $ 81,633 | $ 9,470 |
| Total revenues | $ 812,981 | $ 940,534 |
| **Expenses** | | |
| General government | $ 169,074 | $ 175,336 |
| Street maintenance | $ 79,340 | $ 80,417 |
| Fire department | $ 54,204 | $ 54,714 |
| Garbage | $ 62,637 | $ 63,487 |
| Police department | $ 82,096 | $ 81,992 |
| Cemetery | $ 4,175 | $ 4,332 |
| Water and sewer | $ 357,545 | $ 297,872 |
| Total expenses | $ 809,071 | $ 758,150 |
| Change in net position | $ 3,910 | $ 182,384 |
| Ending net position | $1,688,394 | $1,684,484 |

**Analysis of Financial Position and Results of Operations**

The overall financial condition of the Town of Fletcher is good. The governmental funds continue to maintain a high rate of liquidity with cash representing 15% of total assets. The business type funds have unrestricted cash representing 3% of total assets. An inventory of fixed assets has been compiled and will continue to be maintained in the future. Overall, the Town had a net profit of $3,910. The Town decreased its long term debt by $83,909. Total unrestricted cash decreased by $48,315.

Unaudited

Statement 1

## *TOWN OF FLETCHER, OKLAHOMA*

### Statement of Net Position

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### June 30, 2014

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash - unrestricted | $114,430 | $ 41,542 | $ 155,972 |
| Cash - restricted | | 10,887 | 10,887 |
| Accounts receivable | 42,150 | 24,995 | 67,145 |
| Nores receivable - current portion | | | |
| Investments | 69,576 | 71,853 | 141,429 |
| Total current assets | 226,156 | 149,277 | 375,433 |
| Net capital assets | 562,420 | 1,158,232 | 1,720,652 |
| Total non-current assets | 562,420 | 1,158,232 | 1,720,652 |
| Total Assets | $788,576 | $1,307,509 | $2,096,085 |
| Deferred outflows of resources | -0- | -0- | -0- |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | $ 18,002 | $ 11,373 | $ 29,375 |
| Compensated absences | 5,265 | 4,391 | 9,656 |
| Trust liability | | 10,887 | 10,887 |
| Current portion of long term debt | | 64,327 | 64,327 |
| Total current liabilities | 23,267 | 90,978 | 114,245 |
| Non-current liabilities: | | | |
| Non-current portion of long term debt | | 293,446 | 293,446 |
| Total non-current liabilities | | 293,446 | 293,446 |
| Total Liabilities | 23,267 | 384,424 | 407,691 |
| Deferred inflows of Resources | -0- | -0- | -0- |
| NET POSITION | | | |
| Net invested in Capital Assets | 562,420 | 800,459 | 1,362,879 |
| Restricted for customer deposits | | 10,887 | 10,887 |
| Unrestricted | 202,889 | 111,739 | 314,628 |
| Net Position | $765,309 | $ 923,085 | $1,688,394 |

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

Statement 2

*TOWN OF FLETCHER, OKLAHOMA*

**Statement of Activities**

**For the Year Ended June 30, 2014**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|---|---|---|---|---|---|
| | | | | Primary Government | | |
| Functions/Programs | Expenses | Charges for Services | Operating Grants & Contributions | Governmental Activities | Business-type Activities | Total |
| Primary government | | | | | | |
| Governmental activities: | | | | | | |
| General government | $169,074 | $ 68,073 | $9,375 | ($ 91,626) | | ($ 91,626) |
| Street maintenance | 79,340 | | | ( 79,340) | | ( 79,340) |
| Fire department | 54,204 | | | ( 54,204) | | ( 54,204) |
| Garbage | 62,637 | 107,754 | | 45,117 | | 45,117 |
| Police department | 82,096 | | | ( 82,096) | | ( 82,096) |
| Cemetery | 4,175 | 3,751 | | ( 424) | | ( 424) |
| Total governmental activities | 451,526 | 179,578 | 9,375 | ( 262,573) | | ( 262,573) |
| Business-type activities: | | | | | | |
| Water and sewer | 357,545 | 273,074 | | | ($ 84,471) | ( 84,471) |
| Total business-type activities | 357,545 | 273,074 | | | | |
| Total primary government | $809,071 | $452,652 | $9,375 | ( 262,573) | ( 84,471) | ( 347,044) |
| General Revenues | | | | | | |
| Taxes: | | | | | | |
| Sales taxes | | | | 153,874 | 48,673 | 202,547 |
| Other taxes | | | | 66,774 | | 66,774 |
| Interest and lease | | | | 76,798 | 4,835 | 81,633 |
| Total general revenues | | | | 297,446 | 53,508 | 350,954 |
| Change in net position | | | | 34,873 | ( 30,963) | 3,910 |
| Net position - beginning | | | | 730,436 | 954,048 | 1,684,484 |
| Net position - ending | | | | $765,309 | $923,085 | $1,688,394 |

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

Statement 3

*TOWN OF FLETCHER, OKLAHOMA*

**Balance Sheet**
**Governmental Funds**

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**June 30, 2014**

| | General Fund | Other Governmental Funds | Total |
|---|---|---|---|
| ASSETS | | | |
| Cash | $31,128 | $ 83,302 | $114,430 |
| Accounts receivable | 42,150 | | 42,150 |
| Investments | 1,515 | 68,061 | 69,576 |
| Total Assets | $74,793 | $151,363 | $226,156 |
| LIABILITIES | | | |
| Accounts payable | $18,002 | | $ 18,002 |
| Compensated absences | 5,265 | | 5,265 |
| Total Liabilities | 23,267 | | 23,267 |
| Fund balances | 51,526 | $151,363 | 202,889 |
| Total Liabilities and Fund Balances | $74,793 | $151,363 | $226,156 |

| | |
|---|---|
| Reconciliation of total Governmental Fund Balance to Net Assets of Governmental Activities June 30, 2014 | |
| Total Governmental Fund Balances | $202,889 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 562,420 |
| Net Position of Governmental Activities | $765,309 |

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

*TOWN OF FLETCHER, OKLAHOMA*

**Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds**

**For the Year Ended June 30, 2014**

| | General Fund | Other Governmental Funds | Total |
|---|---|---|---|
| Revenues | | | |
| Taxes | $215,288 | $ 12,057 | $227,345 |
| Charges for services | 105,358 | 10,824 | 116,182 |
| Interest and other | 52,432 | 88,775 | 141,207 |
| Intergovernmental | -0- | 9,375 | 9,375 |
| Total Revenues | 373,078 | 121,031 | 494,109 |
| Expenditures | | | |
| Current operations: | | | |
| General government | 149,426 | 33,598 | 183,024 |
| Street Maintenance | 71,623 | 7,717 | 79,340 |
| Fire department | 13,723 | 23,859 | 37,582 |
| Garbage | 62,637 | | 62,637 |
| Police department | 75,164 | | 75,164 |
| Cemetery | 3,590 | 585 | 4,175 |
| Total Expenditures | 376,163 | 65,759 | 441,922 |
| Excess revenues and other resources over (under) expenditures and other uses | ( 3,085) | 55,272 | 52,187 |
| Fund balances at beginning of year | 54,611 | 96,091 | 150,702 |
| Fund balances at end of year | $ 51,526 | $151,363 | $202,889 |

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of ActivitiesFor the Year Ended June 30, 2013

| | |
|---|---|
| Net change in fund balances - total governmental funds | $ 52,187 |
| Governmental funds report capital outlays as expenditures. | 18,149 |
| However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | ( 35,463) |
| Change in net assets of governmental activities | $ 34,873 |

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

Statement 5

*TOWN OF FLETCHER, OKLAHOMA*

**Statement of Net Position**
**Proprietary Fund**

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**June 30, 2014**

| | |
|---|---|
| ASSETS | |
| Current assets: | |
| Cash - unrestricted | $ 41,542 |
| Cash - restricted | 10,887 |
| Accounts receivable | 24,995 |
| Investments | 71,853 |
| Total current assets | 149,277 |
| Non-current assets: | |
| Net capital assets | 1,158,232 |
| Total Assets | $1,307,509 |
| | |
| LIABILITIES AND NET POSITION | |
| Current liabilities: | |
| Accounts payable | $ 11,373 |
| Compensated absences | 4,391 |
| Trust liability | 10,887 |
| Current portion of long term debt | 64,327 |
| Total current liabilities | 90,978 |
| Non-current liabilities: | |
| Non-current portion of long term debt | 293,446 |
| Total Liabilities | 384,424 |
| | |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 800,459 |
| Restricted for meter fund deposits | 10,887 |
| Unrestricted | 111,739 |
| Total Net Position | 923,085 |
| | |
| Total Liabilities and Net Position | $1,307,509 |

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

Statement 6

*TOWN OF FLETCHER, OKLAHOMA*

**Statement of Revenue Over Expenditures**
**and Changes in Net Position**
**Proprietary Fund Type**

---

**For the Year Ended June 30, 2014**

| | |
|---|---|
| Operating Revenues: | |
| Water and sewer | $273,074 |
| Operating Expenses: | |
| Personal services | 114,470 |
| Maintenance and operations | 169,855 |
| Depreciation | 55,470 |
| Interest | 17,750 |
| Total operating expenses | 357,545 |
| Operating income (loss) | ( 84,471) |
| Non-operating Revenues: | |
| Allocated sales tax | 48,673 |
| Interest and other | 4,835 |
| Net non-operating revenues | 53,508 |
| Change in net position | ( 30,963) |
| Net Position, beginning of year | 954,048 |
| Net Position, end of year | $923,085 |

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

Statement 7

*TOWN OF FLETCHER, OKLAHOMA*

**Statement of Cash Flows**
**Proprietary Fund**

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**For the Fiscal Year Ended June 30, 2014**

| | |
|---|---|
| Cash flows from operating activities | |
| Cash received from customers | $274,582 |
| Cash paid to employees | ( 114,154) |
| Cash paid to suppliers | ( 176,782) |
| Net cash provided by operating activities | ( 16,354) |
| | |
| Cash flows from non-capital financing activities | |
| Sales tax allocated | 48,673 |
| Transfer from other funds | -0- |
| Net cash provided by non-capital financing activities | 46,673 |
| | |
| Cash flows from capital and related financing activities | |
| Acquisition of capital assets | ( 1,050) |
| Loan proceeds | 30,000 |
| Grants received | -0- |
| Principal paid on notes | ( 83,909) |
| Interest paid on notes | ( 17,750) |
| Net cash used by capital and related financing activities | ( 72,709) |
| | |
| Cash flows from investing activities | |
| Interest income and lease | 4,835 |
| Net cash provided by investing activities | 4,835 |
| | |
| Net decrease in cash | ( 35,555) |
| Cash, beginning of year | 87,984 |
| Cash, end of year | $ 52,429 |
| | |
| Reconciliation of operating income to net cash used by operating activities | |
| Operating loss | ($ 30,963) |
| Increase restricted cash | 3,048 |
| Decrease accounts receivable | 1,508 |
| Increase accounts payable | 3,028 |
| Increase compensated absences | 316 |
| Other accruals | 6,709 |
| Net cash used in operating activities | ($ 16,354) |

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

## Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Town of Fletcher, 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, 2014, the Town had only one component unit, the Fletcher Public Works Authority.

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.

Basis of Accounting

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net position 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

**Note 1 (continued)**

and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which 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. Non major 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 Recognition

If applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations for the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursement due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services and miscellaneous income are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on the decrease in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**PROPRIETARY FUNDS**

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation 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 of less for the date of acquisition. Restricted cash consists of meter deposits.

**Note 1 (continued)**

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, 2014.

Budget
In accordance with Oklahoma Statutes, Title 68, Section 2483, 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.

Subsequent Events

Management has evaluated subsequent events through December 2, 2014, which is the date the audit report was available to be released.

**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 Fletcher is considered a separate entity from Fletcher Public Works Authority for FDIC deposit insurance.

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

1. Insured of collateralize 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)

**Note 3 - Capital Asset Activity**

| Governmental | Balance 6-30-13 | Additions | Retirements | Balance 6-30-14 |
|---|---|---|---|---|
| Fire department | $ 398,179 | | | $ 398,179 |
| Police department | 168,573 | $ 10,649 | | 179,222 |
| General government | 683,115 | 5,985 | | 689,100 |
| Total Governmental | 1,249,867 | 16,634 | | 1,266,501 |
| Less: accumulated depr. | ( 670,133) | ( 33,948) | | ( 704,081) |
| Net Governmental | 579,734 | ( 17,314) | | 562,420 |
| Proprietary | 1,825,933 | 1,050 | | 1,826,983 |
| Less: accumulated depr. | ( 613,281) | ( 55,470) | | ( 668,751) |
| Net proprietary | 1,212,652 | ( 54,420) | | 1,158,232 |
| Total Government wide | $1,792,386 | ($ 71,734) | | 1,720,652 |

| | | |
|---|---|---|
| Current Depreciation Expensed: | Governmental | $ 33,948 |
| | Proprietary | 55,470 |
| | Total | $ 89,418 |

**Note 4**

In April, 2005, the Fletcher Public works Authority issued $550,000 of Revenue Bonds to enhance the water system. Part of the proceeds were used to pay off existing debt on the water system and the balance remains in the Sinking Fund, Reserve Account and Construction Account. At June 30, 2014, the balances in such accounts were $69,663. There are 3 separate issues of the bonds. The issues and maturity schedule are as follows:

| Bond issues: | | |
|---|---|---|
| | $125,000 | 4 % |
| | 175,000 | 5 % |
| | 250,000 | 5.6 % |
| Total | $550,000 | |

| Maturity Schedule: | |
|---|---|
| 6-30-15 | $ 35,000 |
| 6-30-16 | 35,000 |
| 6-30-17 | 35,000 |
| 6-30-18 | 35,000 |
| 6-30-19 | 35,000 |
| Thereafter | 115,000 |
| Total | $290,000 |

**Note 5 - Notes Payable**

The Proprietary Fund (Business Type Activity) has three notes with First National Bank of Fletcher at current market rates with balances as follows:

| Note # | Amount |
|---|---|
| 22,112 | $13,435 |
| 22,939 | 15,559 |
| 24,517 | 38,779 |
| Total | $67,773 |

Maturity Schedule:

| | |
|---|---|
| 2014-15 | $29,327 |
| 2015-16 | 21,228 |
| 2016-17 | 17,218 |
| Total | $67,773 |

The notes are secured by various equipment and water plant.

**Note 6 - Investments**

| | |
|---|---|
| Governmental Activities | |
| Certificate of Deposit | $ 3,300 |
| Business-Type Activities | |
| Certificate of Deposit | 2,500 |
| Sinking Fund Accounts: Sinking Fund | 71,853 |
| | 74,353 |
| Total | $77,653 |

**Note 7**

FAS No 157 was issued on September 15, 2006, and, as issued, is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Statement 157 establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP) that should result in increased consistency and comparability in fair value measurements. Statement 157 also expands disclosures about fair value measurements, improving the quality of information provided to users of financial statements. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels: Level 1 (highest priority), Level 2, and Level 3 (lowest priority).

**Note 7 (continued)**

1. Quoted Market Prices in Active Markets (Level 1): a. Level 1 inputs are quoted market prices in active markets for identical assets of liabilities that are accessible at the measurement date. b. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. c. A quoted market price in an active market provides the most reliable evidence of fair value and should be used whenever available.

2. Other Than Quoted Market Inputs (Level 2): a. Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. b. Level 2 inputs include the following: (1) Quoted market prices of similar assets or liabilities in active markets, (2) Quoted market prices for identical or similar assets or liabilities in markets that are not active, (3) Inputs other than quoted prices that are observable for the asset or liability (e.g. interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), and (4) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

3. Unobservable Inputs (Level 3): a. Level 3 inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. b. Unobservable inputs are allowed in situations where there is little, if any, market activity for the asset of liability at the measurement date. c. Unobservable Inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the assets or liability. d. Unobservable inputs shall be developed based on the best information available under the circumstances. The entity is not required to consider all possible efforts to obtain information about market participant assumptions, but the entity shall not ignore information about market participant assumptions that is reasonably available without undue cost and effort.

FASB STAFF POSITION 157-2 was subsequently issued amending FAS 157. This statement defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for nonfinancial assets and nonfinancial liabilities.

The following table sets forth by level, within the fair value hierarchy, the entity's investments at fair value as of June 30, 2014:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Certificates of deposit | $ 5,800 | | | $ 5,800 |
| Sinking fund accounts | 71,853 | | | 71,853 |
| Totals | $77,653 | | | $77,653 |

Schedule 1

*TOWN OF FLETCHER, OKLAHOMA*

**Schedule of Financial Assistance**

**For the Fiscal Year Ended June 30, 2014**

Financial assistance of $9,375 consists of three small grants and donations from State of Oklahoma, Georgia Pacific and FEMA

Schedule 2

*TOWN OF FLETCHER, OKLAHOMA*

**Budgetary Comparison Schedule**

**As Of and For the Year Ending June 30, 2014**

**General Fund**

| Revenues | Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| Garbage | $ 99,907 | $101,654 | $ 1,747 |
| Franchises | 14,546 | 24,233 | 9,687 |
| Fines | 38,002 | 28,656 | ( 9,346) |
| Sales tax | 133,546 | 161,390 | 27,844 |
| Other tax | 24,848 | 36,929 | 12,081 |
| Interest | 69 | 55 | ( 14) |
| Miscellaneous | 10,352 | 20,121 | 9,769 |
| Total Revenues | 321,270 | 373,038 | 51,768 |
| | | | |
| Expenditures | | | |
| Personal services | 150,000 | 136,889 | 13,111 |
| Maintenance and operations | 200,000 | 218,223 | ( 18,223) |
| Capital outlay | 2,619 | 18,149 | ( 15,530) |
| Total Expenditures | 352,619 | 373,261 | ( 20,642) |
| | | | |
| Excess of expenditures over revenues | ($ 31,349) | ($ 223) | $ 31,126 |

Unaudited

Schedule 3

*TOWN OF FLETCHER, OKLAHOMA*

**Combining Balance Sheet**
**Non-Major Governmental Funds**

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**June 30, 2014**

| | Street and Alley | Cemetery Maintenance | Cemetery Care | Police and Fire | Recreation | Economic Development | Total |
|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | |
| Cash | $13,539 | $13,896 | $14,400 | $6,077 | $5,902 | $29,488 | $ 83,302 |
| Accounts receivable | | | | | | | |
| Investments | | | 3,300 | | | 64,761 | 68,061 |
| Notes receivable | | | | | | | |
| Total Assets | $13,539 | $13,896 | $17,700 | $6,077 | $5,902 | $94,249 | $151,363 |
| LIABILITIES | | | | | | | |
| Accounts payable | | | | | | | |
| Compensated absences | | | | | | | |
| Total Liabilities | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Fund Balances | $13,539 | $13,896 | $17,700 | $6,077 | $5,902 | $94,249 | $151,363 |
| Total Liabilities and Fund Balances | $13,539 | $13,896 | $17,700 | $6,077 | $5,902 | $94,249 | $151,363 |

Schedule 3-1

*TOWN OF FLETCHER, OKLAHOMA*

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**
**Non-Major governmental Funds**

**For the Fiscal Year Ended June 30, 2014**

| | Street and Alley | Cemetery Maintenance | Cemetery Care | Fire | Recreation | Economic Development | Total |
|---|---|---|---|---|---|---|---|
| REVENUES | | | | | | | |
| Taxes | $12,057 | | | | | | $ 12,057 |
| Charges for services | | $ 2,813 | $ 938 | $ 7,073 | | | 10,824 |
| Interest and other | 1,011 | | 5 | | $23,755 | $64,004 | 88,775 |
| Intergovernmental | | | | 9,375 | | | 9,375 |
| Total Revenues | 13,068 | 2,813 | 943 | 16,448 | | 64,004 | 121,031 |
| EXPENDITURES | | | | | | | |
| General government | | | | | 33,598 | | 33,598 |
| Street maintenance | 7,717 | | | | | | 7,717 |
| Fire department | | | | 23,859 | | | 23,859 |
| Garbage | | | | | | | |
| Police department | | | | | | | |
| Cemetery | | 360 | 225 | | | | 585 |
| Total Expenditures | 7,717 | 360 | 225 | 23,859 | 33,598 | -0- | 65,759 |
| Excess of Revenues over (under) expenditures | 5,351 | 2,453 | 718 | ( 7,411) | ( 9,843) | 64,004 | 55,272 |
| Fund Balance - beginning | 8,188 | 11,443 | 16,982 | 13,488 | 15,745 | 30,245 | 96,091 |
| Fund Balance - ending | $13,539 | $13,896 | $17,700 | $ 6,077 | $ 5,902 | $94,249 | $151,363 |

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Report 2

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 Town Council
Fletcher, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Fletcher, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Fletcher, Oklahoma's basic financial statements, and have issued our report thereon dated December 2, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Fletcher, 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 the Town of Fletcher, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Fletcher, 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. 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Fletcher, 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.*

**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.

Johnson, Badertscher & Moore
JOHNSON, BADERTSCHER & MOORE, P.C.
Certified Public Accountants

Chickasha, Oklahoma
December 2, 2014