Town of Bennington, Oklahoma

Financial Statements and Report of Independent Accountants

As of and For the Year Ending June 30, 2014

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Independent Auditor's Report

To the Board of Trustees
Town of Bennington, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash-basis 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 Bennington, 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 the modified cash-basis of accounting described in Note 1. This includes determining that the modified cash-basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position 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 Bennington, as of June 30, 2014, and the respective changes in modified cash-basis financial position, and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2014, on our consideration of the Town of Bennington'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 Bennington's internal control over financial reporting and compliance.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are 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 the respect to this matter.

Casey J. Russell CPA

Oklahoma City, Oklahoma
September 26, 2014

Town of Bennington
Statement of Net Position
Modified Cash Basis
June 30, 2014

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash in Bank - Unrestricted	12,442.16	12,329.31	24,771.47
Cash in Bank - Restricted	48,474.75	475.30	48,950.05
Total Current Assets	60,916.91	12,804.61	73,721.52
Noncurrent Assets:			
Capital Assets, net	420,935.84	1,196,459.62	1,617,395.46
Total Noncurrent Assets	420,935.84	1,196,459.62	1,617,395.46
TOTAL ASSETS	$ 481,852.75	$1,209,264.23	$1,691,116.98
LIABILITIES			
Current Liabilities:			
Meter Deposits	-	1,835.16	1,835.16
Current Portion of Long Term Debt	-	4,489.48	4,489.48
Total Current Liabilities	-	6,324.64	6,324.64
Noncurrent Liabilities:			
Notes Payable	-	119,773.48	119,773.48
Total Noncurrent Liabilities	-	119,773.48	119,773.48
TOTAL LIABILITIES	-	126,098.12	126,098.12
NET POSITION			
Net investment in capital assets	420,935.84	1,072,196.66	1,493,132.50
Restricted	1,568.16	475.30	2,043.46
Unrestricted	59,348.75	10,494.15	69,842.90
TOTAL NET POSITION	481,852.75	1,083,166.11	1,565,018.86
TOTAL LIABILITIES AND NET POSITION	$ 481,852.75	$1,209,264.23	$1,691,116.98

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

Town of Bennington
Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants	Net (expense) revenue and Changes in net position — Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Total
Primary Government						
Governmental Activities						
Cemetary	160.00	150.00	-	(10.00)	-	(10.00)
Police Department	42,972.95	18,775.76	-	(24,197.19)	-	(24,197.19)
General Government	87,025.39	5,764.68	5,000.00	(76,260.71)	-	(76,260.71)
Total Governmental Activities	130,158.34	24,690.44	5,000.00	(100,467.90)	-	(100,467.90)
Business-Type Activities						
Sewer Department	75,007.41	47,903.87	-	-	(27,103.54)	(27,103.54)
Economic Development	23,700.18	-	-	-	(23,700.18)	(23,700.18)
Total Business-Type Activities	98,707.59	47,903.87	-	-	(50,803.72)	(50,803.72)
Total Primary Government	$ 228,865.93	$ 72,594.31	$ 5,000.00	$ (100,467.90)	$ (50,803.72)	$ (151,271.62)
General Revenues						
Sales Taxes				71,615.46	-	71,615.46
Other Taxe				14,470.98	-	14,470.98
Interest Income				115.27	1.90	117.17
Total General Government Revenue				86,201.71	1.90	86,203.61
Transfer In/Out				(5,000.00)	5,000.00	-
Change in Net Position				(19,266.19)	(45,801.82)	(65,068.01)
Net Assets Begining				501,118.94	1,128,967.93	1,630,086.87
Net Assets Ending				$ 481,852.75	$ 1,083,166.11	$ 1,565,018.86

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

Town of Bennington
Governmental Funds
Balance Sheet - Modified Cash Basis
June 30, 2014

	General Fund	Cemetary Fund	Total Governmental Fund
ASSETS			
Cash in Bank - Unrestricted	12,442.16	-	12,442.16
Cash in Bank - Restricted	46,906.59	1,568.16	48,474.75
Total Assets	$ 59,348.75	$ 1,568.16	$ 60,916.91
LIABILITIES			
FUND BALANCES			
Restricted	-	1,568.16	1,568.16
Unrestricted	59,348.75	-	59,348.75
TOTAL FUND BALANCES	59,348.75	1,568.16	60,916.91
TOTAL LIABILITIES AND FUND BALANCES	$ 59,348.75	$ 1,568.16	$ 60,916.91

Reconcilation of Total Governmental Fund Balance to Net Position of Governmental Activities

Total Governmental Fund Balances	$ 60,916.91
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.	420,935.84
Net Position of Governmental Activities	$ 481,852.75

The accompanying footnotes are an integral part of these financial statements

Town of Bennington
Governmental Funds
Statement of Revenues, Expenditures and Changes in Net Position
Modified Cash Basis
For the Year Ending June 30, 2014

	General Fund	Cemetary Funds	Total Governmental Funds
Revenues			
Taxes	86,086.44	-	$ 86,086.44
Fines	18,775.76	-	18,775.76
Grants	5,000.00	-	5,000.00
Interest	114.55	0.72	115.27
Other Revenues	5,764.68	150.00	5,914.68
Total Revenues	115,741.43	150.72	115,892.15
Expenditures			
General Government	38,677.82	-	38,677.82
Capital Outlay	21,400.00	-	21,400.00
Police Department	33,781.58	-	33,781.58
Maintenance and Operations	33,040.81	160.00	33,200.81
Total Expenditures	126,900.21	160.00	127,060.21
Excess revenues over (under) expenditures	(11,158.78)	(9.28)	(11,168.06)
Transfers In/Out	(5,000.00)	-	(5,000.00)
Excess revenue over (under) expenditures after transfers	(16,158.78)	(9.28)	(16,168.06)
Net Position at beginning of year	75,507.53	1,577.44	77,084.97
Net Position at end of year	$ 59,348.75	$ 1,568.16	$ 60,916.91

Reconcilation of Fund Financial Statements to Governmental Wide Financial Statements

Change in Net Position, Fund Financial Statements	(16,168.06)
Capital Outlay included in the expenditures of the fund financial statements but capitalized as a fixed asset in the government wide financial statements	21,400.00
Depreciation recorded in the government wide financial statements but not recorded in the fund financial statements	(24,498.13)
Change in Net Position per the Governmental Wide Financial Statements	$ (19,266.19)

The accompanying notes are an integral part of these financial statements

Town of Bennington
Proprietary Fund
Statement of Net Position - Modified Cash Basis
June 30, 2014

ASSETS	
Current Assets:	
Cash in Bank - Unrestricted	$ 12,329.31
Cash in Bank - Restricted	475.30
Total Current Assets	12,804.61
Noncurret Assets	
Capital Assets, net	1,196,459.62
Total Noncurrent Assets	1,196,459.62
TOTAL ASSETS	$1,209,264.23
LIABILITIES	
Current Liabilities:	
Meter Deposits	1,835.16
Current Portion of Long Term Debt	4,489.48
Total Current Liabilities	6,324.64
Noncurrent Liabilities:	
Notes Payable	119,773.48
Total Noncurrent Liabilities	119,773.48
TOTAL LIABILITIES	126,098.12
NET POSITION	
Net Investment in Capital Assets	1,072,196.66
Restricted	475.30
Unrestricted	10,494.15
TOTAL NET POSITION	1,083,166.11
TOTAL LIABILITIES AND NET POSITION	$1,209,264.23

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

Town of Bennington
Proprietary Fund
Statement of Revenues, Expenditures and Changes in Net Position
Modified Cash Basis
For the Year Ending June 30, 2014

Operating Reveues:	
Sewer Fees	47,903.87
Total Operating Revenues	47,903.87
Operating Expenditures:	
Personnel Services	19,054.05
Maintenance and Operations	10,948.08
Depreciation	62,885.80
Interest	5,819.66
Total Operating Expenditures	98,707.59
Excess Revenues over Expenditures	(50,803.72)
Non-operating Revenues (Expenditures)	
Transfer in (out)	5,000.00
Interest Income	1.90
Net Non-operating Revenues (Expenditures)	5,001.90
Excess Revenues over (under) Expenditures after transfer	(45,801.82)
Net Position at beginning of year	1,128,967.93
Net Position at end of year	$1,083,166.11

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

Town of Bennington
Proprietary Fund
Statement of Cash Flows - Modified Cash Basis
For the Year Ending June 30, 2014

Cash flows from operating activities		
Receipts from customers	$	47,905.77
Payments to suppliers		(11,767.74)
Payments to employees		(19,054.05)
Net cash provided by operating activities		17,083.98
Cash flows from capital and related financing activities		
Change in meter deposits		-
Principal paid on long term debt		(4,279.34)
Net cash flows from capital and related financing activities		(4,279.34)
Net increase (decrease) in cash		12,804.64
Cash, Beginning of the Year		(0.03)
Cash, End of the Year	$	12,804.61

Reconcilement of change in net assets to net cash provided by operations

Change in Net Assets		(45,801.82)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		62,885.80
Net cash provided by operating activities	$	17,083.98

The accompanying notes are an integral part of these financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

1.A. FINANCIAL REPORTING ENTITY

The Town of Bennington, 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 has one component units, the Bennington Public Works Authority.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or 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 constitutes its assets, deferred outflows, liabilities, deferred inflows, net position or fund balance, revenues, and expenditures or expenses. The Town's funds are organized into two major categories: governmental and proprietary. The Town presently has no

fiduciary funds. 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, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or 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.

b. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of the individual governmental fund 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 subsequently:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of the specific revenue sources that are either restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds, all of which are reported as nonmajor funds: Street & Alley Fund.

Proprietary Funds

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 net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund: Bennington PWA.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources

measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. 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.

b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

BASIS OF ACCOUNTING

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

1.D. FINANCIAL POSITION

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

INVESTMENTS

Investments classified in the financial statements consist entirely of certificates of deposit acquired with cash whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

CAPITAL ASSETS

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions or events are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions or events is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of $500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture, and equipment	3-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions or events acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

LONG-TERM DEBT

All long-term bonds, notes, and other debt arising from cash transactions or events to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions or events of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

NET POSITION/FUND BALANCE CLASSIFICATIONS

Government-Wide Statements

Net Position is classified and displayed in three components:

1. *Net investment in capital assets.* Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

2. *Restricted.* Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

3. *Unrestricted.* Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Town's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements

Governmental Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

Nonspendable. Amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact.

Restricted. Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed. Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the Town's highest level of decision-making authority. (In the case of the Town of Example, commitments are evidenced by adoption of an ordinance by the Town Council.)

Assigned. Amounts constrained by the Town's intent to be used for specific purposes but that are neither restricted nor committed. (In the case of the Town of Example, assignments are evidenced either by resolution of the Town Council or by the Town Manager in written form as approved by vote of the Town Council pursuant to Town policy.)

Unassigned. The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

It is the Town's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also Town policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

The Town has no formal minimum fund balance policies or any formal stabilization arrangements in place.

Proprietary Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of proprietary funds is reported as net position and classified in the same manner as the government-wide financial statements, as previously described.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

In the Statement of Activities, modified cash-basis revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity: General Government, Streets, and Public Works.

All other governmental revenues are reported as general revenues. All taxes are classified as general revenue even if restricted for a specific purpose.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods or services. They also include all

revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

GASB 34 IMPLEMENTATION

The Town has implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of June 30, 2004.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered material to the financial statements.

NOTE 3. 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 Bennington is considered a separate entity from the Bennington Public Works 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 Bennington'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 Bennington Public Works Authority. The remaining funds would be category 3.

NOTE 4. CAPITAL ASSETS AND DEPRECIATION

Capital Asset activity for the year ended June 30, 2014 was as follows:

Governmental Funds

	Beginning Balance	Increases	Decreases	Ending Balance
City Hall	$ 212,961	-	-	$ 212,961
House	54,000	-	-	54,000
Vehicles & Equipment	98,947	21,400	-	120,347
Revtech Incubator	260,421	-	-	260,421
Total	$ 626,329			$ 647,729
Accumulated Depreciation	(202,294)	(24,498)	-	(226,792)
Net Assets	$ 424,035			$ 420,937

As of June 30, 2014, 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 $24,498 for the governmental funds was recorded as follows: equipment - $8,517, police cars - $9,191, revtech incubator - $6,790, all charged to general government.

Public Works Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Land	$ 109,936	-	-	$ 109,936
Buildings	948,007	-	-	948,007
Sewer System	1,120,615	-	-	1,120,615
Total	$ 2,178,558			$ 2,178,558
Accumulated Depreciation	(919,213)	(62,885)	-	(982,098)
Net Assets	$ 1,259,345			$ 1,196,460

As of June 30, 2014, the Public Works Authority 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 $62,885 for the Public Works Authority was recorded as follows: Sewer System Upgrade - $39,185 and Industrial Incubator - $23,700. All depreciation in the Public Works Authority was charged to the sewer department except for the Industrial Incubator. Depreciation for the Industrial Incubator is charged to economic development in the government wide financial statements and to general depreciation in the proprietary fund type statement of revenues over expenditures and changes in net assets.

NOTE 5. NOTES PAYABLE

Bennington Public Works Authority

As of June 30, 2002, the Bennington Public Works Authority had a note outstanding with the Farmers Home Administration. The balance of the note as of June 30, 2014 was $51,989. Collateral for the loan are the revenues generated by the sewer system. The loan carries a 5% interest rate with monthly payments of $487. The Bennington Public Works Authority paid $3,158 in principal and $2,686 in interest for the year ending June 30, 2014. Principal required for the next five years and in five year increments until maturity is as follows:

	Principal	Interest
2014/2015	3,320	2,524
2015/2016	3,490	2,354
2016/2017	3,668	2,176
2017/2018	3,856	1,988
2017/2019	4,053	1,791
2019/2024	23,597	5,623
2024/2026	10,005	475
	$ 51,989	$ 16,931

Balance, Beginning of Year	$ 55,148
Principal Paid During Year	(3,159)
Balance, End of Year	$ 51,989

As of June 30, 2006, the Bennington Public Works Authority had a new note outstanding with the Farmers Home Administration. The balance of the note as of June 30, 2014 was $72,273. Collateral for the loan are the revenues generated by the sewer system and real estate. The loan carries a 4.25% interest rate with monthly payments of $351. The Bennington Public Works Authority paid $1,121 in principal and $3,091 in interest for the year ending June 30, 2014. Principal required for the next five years and in five year increments until maturity is as follows:

	Principal	Interest
2014/2015	1,170	3,042
2015/2016	1,220	2,992
2016/2017	1,273	2,939
2017/2018	1,328	2,884
2018/2019	1,386	2,826
2019/2024	7,884	13,176
2024/2029	9,747	11,313
2029/2034	12,050	9,010
2034/2039	14,898	6,162
2039/2044	18,418	2,642
2044/2045	2,898	43
	$ 72,273	$ 57,028

Balance, Beginning of Year	$ 73,395
Principal Paid During Year	(1,122)
Balance, End of Year	$ 72,273

NOTE 6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 26, 2014, which is the date the financial statements were issued.

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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
Town of Bennington

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 accompanying modified cash basis 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 Bennington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Bennington's basic financial statements, and have issued our report thereon dated September 26, 2014.

The report was a special report on the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Bennington'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 Bennington's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Bennington'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2014-1 & 2014-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Bennington'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.

Casey J. Russell CPA, Inc.

Oklahoma City, Oklahoma
September 26, 2014

Schedule of Current Findings and Responses

2014-1 Customer Deposits (Repeat Finding)

CONDITION: During our review of the water metered deposits, we noted that the town was unable to provide a detailed listing of the individual customer deposits that could easily be reconciled to the amount shown on the financial statements.

CRITERIA: The liability balance as shown on the financial statements should have a detailed listing supporting the account balance.

CAUSE OF CONDITION: The town recently transferred to a computer system listing each customer deposit. Several customer deposits dating back for several years could not be located to enter into the software system.

EFFECT OF CONDITION: The account balance is unsupported.

MANAGEMENT RESPONSE: The town has made strides toward improved record keeping of account balances. There are additional forms which customers are required to complete which track deposits made as well as additional account information.

2014-2 Lack of Segregation of Duties (Repeat Finding)

CONDITION: During our review of the internal control structure, we noted that several procedures lacks the control of having duties segregated. 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 certain bank accounts required only one signature.

CRITERIA: We believe that internal control procedures would be strengthened by reviewing the individual tasks to determine whether internal control procedures could be improved.

CAUSE OF CONDITION: Limited personnel

EFFECT OF CONDITION: Unknown

MANAGEMENT RESPONSE: All checks now require two signatures whether there are two signature lines or not. In many cases due to our limited resources, controls will be limited.