

AUDIT REPORT
TOWN OF CADDO, OKLAHOMA
JUNE 30, 2014



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TOWN OF CADDO, OKLAHOMA
JUNE 30, 2014

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TOWN OF CADDO, OKLAHOMA
JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Caddo, Oklahoma

Report on the Financial Statements

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 Caddo, Oklahoma, as of and for the fiscal 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Town'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

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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.

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 Caddo, Oklahoma, as of June 30, 2014, and the respective changes in financial position 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 Budgetary Comparison Information be presented to supplement the basic financial statements. Such information, although not 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Caddo, Oklahoma has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However the Town has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2014, on our consideration of the Town of Caddo, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Caddo, Oklahoma's internal control over financial reporting and compliance.

Kershaw CPA & Associates, P.C.
Kershaw CPA & Associates, PC

October 7, 2014

**TOWN OF CADDO, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 186,601	\$ 146,208	\$ 332,809
Investments	22,493	-	22,493
Accounts Receivable	-	36,148	36,148
Taxes Receivable	18,205	-	18,205
Due from Other Funds	-	-	-
Total Current Assets	<u>227,299</u>	<u>182,356</u>	<u>409,655</u>
<u>Other Assets:</u>			
Cash and cash equivalents - Restricted	-	89,401	89,401
Total Other Assets	<u>-</u>	<u>89,401</u>	<u>89,401</u>
<u>Capital Assets:</u>			
Land and Construction in Progress	-	143,816	143,816
Capital Assets, net of Accum. Depreciation	518,671	1,742,158	2,260,829
Total Capital Assets	<u>518,671</u>	<u>1,885,974</u>	<u>2,404,645</u>
TOTAL ASSETS	<u>745,970</u>	<u>2,157,731</u>	<u>2,903,701</u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Accounts Payable	27,953	25,198	53,151
Customer Deposits	-	32,454	32,454
Notes Payable - Current Portion	24,326	15,190	39,516
Total Current Liabilities	<u>52,279</u>	<u>72,842</u>	<u>125,121</u>
<u>Long-Term Liabilities:</u>			
Note Payable - Long-Term	4,778	928,319	933,097
Total Long-Term Liabilities	<u>4,778</u>	<u>928,319</u>	<u>933,097</u>
TOTAL LIABILITIES	<u>57,058</u>	<u>1,001,161</u>	<u>1,058,219</u>
<u>NET POSITION</u>			
Net investment in capital assets	513,892	942,464	1,432,031
Restricted for:			
Debt Service	-	89,401	89,401
Other Purposes	-	-	-
Unrestricted	175,020	124,704	299,724
TOTAL NET POSITION	<u>\$ 688,912</u>	<u>\$ 1,156,570</u>	<u>\$ 1,845,482</u>

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

TOWN OF CADDO, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Current:					
General Government	\$ 124,285	\$ -	\$ -	\$ -	\$ (124,285)
Public Safety	227,362	187,607	-	-	(39,755)
Street & Alley	82,216	-	-	-	(82,216)
Community Services	40,722	-	-	-	(40,722)
Total Governmental Activities	474,585	187,607	-	-	(286,978)
Business-type activities:					
Water	149,771	176,547	-	50,000	76,777
Sewer	167,456	157,257	-	-	(10,199)
Sanitation	130,748	109,994	-	-	(20,754)
Administration/general	79,586	24,375	-	-	(55,210)
Total Business-type Activities	527,561	468,174	-	50,000	(9,387)
Total	\$ 1,002,146	\$ 655,781	\$ -	\$ 50,000	\$ (296,365)
Changes in Net Position:					
		Governmental Activities	Business-Type Activities	Total	
Net (expense)/revenue		\$ (286,978)	\$ (9,387)	\$ (296,365)	
General revenues:					
Taxes:					
Sales Tax		195,324	-	195,324	
Use Tax		71,549	-	71,549	
Tobacco Tax		2,276	-	2,276	
Franchise Tax		27,604	-	27,604	
Intergovernmental:					
Alcoholic Beverage Tax		6,903	-	6,903	
Gasoline Excise Tax		1,864	-	1,864	
Motor Vehicle Tax		7,863	-	7,863	
Licenses & Permits		255	-	255	
Interest Income		122	167	289	
Miscellaneous Revenues		14,979	-	14,979	
Transfers - Internal Activity		-	-	-	
Total general revenues & transfers		328,740	167	328,906	
Changes in net position		41,762	(9,220)	32,541	
Net position - beginning		647,531	1,165,831	1,813,363	
Net position - prior year adjustment		(381)	(42)	(423)	
Net position - ending		\$ 688,912	\$ 1,156,570	\$ 1,845,482	

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

**TOWN OF CADDO, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 186,601	\$ -	\$ -	\$ 186,601
Investments	22,493	-	-	22,493
Taxes Receivable	18,205	-	-	18,205
TOTAL ASSETS	<u>\$ 227,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,299</u>
<u>LIABILITIES & FUND EQUITY</u>				
LIABILITIES:				
Accounts Payable	\$ 27,953	\$ -	\$ -	\$ 27,953
TOTAL LIABILITIES	<u>27,953</u>	<u>-</u>	<u>-</u>	<u>27,953</u>
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	199,346	-	-	199,346
TOTAL FUND BALANCES	<u>199,346</u>	<u>-</u>	<u>-</u>	<u>199,346</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 227,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,299</u>

Reconciliation to Statement of Net Position:

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities of \$1,021,009, net of accumulated depreciation of \$502,338, are not financial resources and, therefore, are not reported in the funds.	518,671
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(29,104)</u>
Net Position of Governmental Activities	<u>\$ 688,912</u>

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

TOWN OF CADDO, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>				
Taxes:				
Sales Tax	\$ 195,324	\$ -	\$ -	195,324
Use Tax	71,549	-	-	71,549
Tobacco Tax	2,276	-	-	2,276
Franchise Tax	27,604	-	-	27,604
Intergovernmental:				
Alcoholic Beverage Tax	6,903	-	-	6,903
Gasoline Excise Tax	1,864	-	-	1,864
Motor Vehicle Tax	7,863	-	-	7,863
Court fines & fees	187,607	-	-	187,607
Licenses & Permits	255	-	-	255
Charges for Services	-	-	-	-
Interest	122	-	-	122
Miscellaneous Revenues	14,979	-	-	14,979
TOTAL REVENUES	516,347	-	-	516,347
<u>EXPENDITURES:</u>				
Current:				
General Government	115,597	-	-	115,597
Public Safety	200,137	-	-	200,137
Street & Alley	70,650	-	-	70,650
Community Services	34,283	-	-	34,283
Debt Service	25,728	-	-	25,728
Capital Outlay	9,093	-	-	9,093
TOTAL EXPENDITURES	455,488	-	-	455,488
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	60,859	-	-	60,859
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Capital Debt Proceeds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGES IN FUND BALANCES	60,859	-	-	60,859
FUND BALANCE - BEGINNING OF YEAR	138,487	-	-	138,487
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 199,346	\$ -	\$ -	199,346

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

TOWN OF CADDO, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$	60,859
 Amounts reported for governmental activities in the Statement of Activities are different because:		
 Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Capital debt obligation principal payments		22,560
 Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Position:		
Capital Debt Proceeds		-
 Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		9,093
Depreciation expense		<u>(50,751)</u>
Change in Net Position of Governmental Activities	\$	<u>41,762</u>

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

**TOWN OF CADDO, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	<u>Caddo Public Works Authority Enterprise Fund June 30, 2014</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 146,208
Investments	-
Accounts Receivable	36,148
Due from Other Funds	-
Total Current Assets	<u>182,356</u>
Noncurrent Assets:	
Restricted Cash - Customer Deposits	33,514
Restricted Cash - Reserve Acct	55,887
Land and Construction in Progress	143,816
Other capital assets, net of accumulated depreciation	<u>1,742,158</u>
Total Noncurrent Assets	<u>1,975,375</u>
TOTAL ASSETS	<u><u>2,157,731</u></u>
<u>LIABILITIES & NET POSITION</u>	
Current Liabilities:	
Accounts Payable	25,198
Customer Deposits	32,454
Notes Payable - Current Portion	<u>15,190</u>
Total Current Liabilities	<u>72,842</u>
Noncurrent Liabilities:	
Notes Payable - Long-Term Portion	<u>928,319</u>
Total Noncurrent Liabilities	<u>928,319</u>
TOTAL LIABILITIES	<u><u>1,001,161</u></u>
NET POSITION:	
Net investement in capital assets	942,464
Restricted for debt service	89,401
Unrestricted	<u>124,704</u>
TOTAL NET POSITION	<u><u>\$ 1,156,570</u></u>

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

TOWN OF CADDO, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014

	<u>Caddo Public Works Authority Enterprise Fund June 30, 2014</u>
<u>OPERATING REVENUES:</u>	
Water charges	\$ 176,547
Sewer charges	157,257
Sanitation charges	109,994
Penalties, fees, transfers & reconnects	16,658
Other revenues	7,718
TOTAL OPERATING REVENUES	<u>468,174</u>
<u>OPERATING EXPENSES:</u>	
Water Department	119,498
Sewer Department	85,635
Sanitation Department	120,106
Administration/general	79,586
Depreciation	82,298
TOTAL OPERATING EXPENSES	<u>487,123</u>
NET OPERATING INCOME (LOSS)	<u>(18,949)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	167
Interest Expense	(40,438)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(40,271)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(59,220)
Capital Contributions	50,000
Transfers in	-
Transfers out	-
CHANGE IN NET POSITION	<u>(9,220)</u>
TOTAL NET POSITION - BEGINNING	1,165,831
TOTAL NET POSITION - PRIOR YEAR ADJUSTMENTS	(42)
TOTAL NET POSITION - ENDING	<u>\$ 1,156,570</u>

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

**TOWN OF CADDO, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014**

	<u>Caddo Public Works Authority Enterprise Fund June 30, 2014</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 460,054
Other Cash Receipts	7,718
Payments to Suppliers & Employee for Goods & Services	(397,672)
Receipts of Customer Utility Deposits, Net of Refunds	1,970
	<u>72,070</u>
Net Cash Provided (Used) by Operating Activities	
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfers to other funds	-
Transfers from other funds	-
	<u>-</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Capital Contributions	50,000
Additions to Capital Assets	(81,757)
Gain on Sale of Capital Assets	-
Proceeds from sale of Capital Assets	-
Loan Proceeds received	-
Principal paid on Notes Payable	(14,558)
Interest paid	(40,438)
	<u>(86,753)</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	
<u>Cash Flows from Investing Activities:</u>	
(Increase) in Investments	-
Interest Income	167
	<u>167</u>
Net Cash Provided (Used) by Investing Activities	
Net Increase (Decrease) in Cash and Cash Equivalents	
	(14,516)
Cash & Cash Equivalents, Beginning of Year	
	250,125
Cash & Cash Equivalents, Prior Year Adjustment	
	-
Cash & Cash Equivalents, End of Year	
	<u>\$ 235,609</u>
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ (18,949)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	82,298
(Increase)Decrease in Accounts Receivable	(402)
Increase(Decrease) in Accounts Payable	7,153
Increase(Decrease) in Due to Depositors	1,970
	<u>72,070</u>
Net Cash Provided (Used) by Operating Activities	
	<u>\$ 72,070</u>

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

TOWN OF CADDO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity:

The reporting entity includes the primary government of the Town of Caddo, Oklahoma (the Town) and its component unit, Caddo Public Works Authority (the Authority). Financial information for the Caddo Public Works Authority is blended with the financial information of the Town of Caddo as an enterprise fund. The Board of Trustees of the Town and the Authority are identical in membership. Financial transactions between the Town and the Authority occur on a regular basis. The Authority operates water, sewer and sanitation services. The Town does not have component units other than the Authority.

B. Basis of Presentation - Fund Accounting:

The accounts of the Town of Caddo are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds are used by the Town:

Government Fund Types:

General Fund:

The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in a separate fund, are accounted for in the General Fund.

Special Revenue Funds:

These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

Capital Projects Fund:

These funds are established to account for major capital expenditures not financed by Enterprise Funds, Internal Service Funds, or Trust Funds.

TOWN OF CADDO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Proprietary Fund Types:

This type of fund accounts for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds.

Enterprise Funds - Caddo Public Works Authority:

The enterprise funds are used to account for operations that are operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

The Caddo Public Works Authority is a public trust, the beneficiary of which is the Town of Caddo, Oklahoma. The Caddo Public Works Authority use the enterprise fund basis of accounting in the preparation of its financial statements.

C. Basis of Accounting

Governmental Funds, Expendable Trust Funds and Agency Funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, fines and forfeits, royalties, charges for services and miscellaneous revenues are recorded when earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations which are recognized when paid. The Town of Caddo does not have any expendable trust funds or agency funds.

All Proprietary Funds, Nonexpendable Trust Funds, and Pension Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds.

The accounting policies of the Town conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units.

TOWN OF CADDO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The Proprietary fund applies Financial Account Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements in which case, GASB prevails.

D. Budgetary Data:

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund, and the Caddo Public Works Authority. All annual encumbrances and appropriations lapse at fiscal year end.

E. Cash and Investments:

Cash includes amounts in demand deposits. The Town considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents. Town policy has been to invest in Certificates of Deposit.

F. Capital Assets:

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. The estimated useful life for capital assets varies between 3 and 40 years depending on the type of asset. The capitalization threshold has been set at \$1,000.00.

G. Compensated Absences:

The Town's policy for accumulated annual leave is based on years of continuous service. After one year of employment, full-time employees receive 2 weeks (10 days) of paid time off. After 4 years of employment, employees receive 3 weeks (15 days) of paid time off and after 10 years of employment, employees receive 4 weeks (20 days) of paid time off. Employees are only allowed to carryover 5 days to the next year.

The financial statements do not include the amount of accrued compensated absences as of fiscal yearend. However, because most

TOWN OF CADDO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

employees use these days during the year, the liability is considered immaterial as of that date.

Employees also receive 2 additional business days and their birthday off. However, while they are paid for these absences, these days do not accrue.

H. Long-Term Debt:

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

I. 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 (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted—Net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment

TOWN OF CADDO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

TOWN OF CADDO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

There are currently no Special Revenue Funds.

J. Revenues, Expenditures and Expenses

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.

K. Use of Estimates

The preparation of financial statements in conformity with the U.S. generally accepted accounting principles 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 unit are subject to various federal, state and local laws and contractual regulations. The following instances of noncompliance are considered material to the financial statements.

A. Uninsured and uncollateralized Deposits

In accordance with State law, all uninsured deposit of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. At June 30, 2014, all deposits are either insured or collateralized.

B. Budgetary Noncompliance

Expenditures exceeded appropriations for General Government and Community Services but not by more than the amounts available for appropriation exceeded budgeted figures.

TOWN OF CADDO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At June 30, 2014, the Town held deposits of approximately \$444,703 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

TOWN OF CADDO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - RESTRICTED ASSETS

The loan agreements with the United States Department of Agriculture Rural Development (USDA) require the District to set aside into a Reserve Account the sum of the annual installment for each loan (\$50,832 for 92-01 and \$4,164 for 92-03, total of \$54,996), after which deposits may be suspended, except to replace withdrawals. The District cannot withdraw funds from the reserve account without USDA approval. As of June 30, 2014, the account balance for the reserve account was \$55,886.96, which meets the required balance of \$54,996.00.

Assets are also restricted for the refundable customer deposits.

NOTE 7 - CHANGES IN CAPITAL ASSETS

Town of Caddo:

	6/30/2013		6/30/2014	
<u>Business-Type Activities:</u>	Balance	Additions	Retirements	Balance
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Other capital assets:				
Trucks & Equipment	100,818	-	-	100,818
Buildings	563,161	-	-	563,161
Police Cars & Equipment	152,865	-	-	152,865
Street Infrastructure	195,072	9,093	-	204,165
Total other capital assets	1,011,916	9,093	-	1,021,009
Less: Accum. Depreciation for:				
Trucks & Equipment	71,208	4,403	-	75,612
Buildings	265,887	16,127	-	282,014
Police Cars & Equipment	79,659	23,682	-	103,342
Street Infrastructure	34,832	6,538	-	41,370
Total Accumulated Depreciation	451,588	50,751	-	502,338
Other capital assets, net	560,328	(41,657)	-	518,671
Business-type activities capital assets, net	\$ 560,328	\$ (41,657)	\$ -	\$ 518,671

TOWN OF CADDO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The additions to accumulated depreciation include only the current year depreciation expense of \$50,751. The asset addition included the Street Improvements.

Caddo Public Works Authority:

	6/30/2013			6/30/2014		
<u>Business-Type Activities:</u>	Balance	Additions	Retirements	Balance		
Capital assets not being depreciated:						
Land	\$ 143,816	\$ -	\$ -	\$ 143,816		
Construction in progress	-	-	-	-		
Total capital assets not being depreciated	143,816	-	-	143,816		
Other capital assets:						
Buildings & Improvements	34,922	-	-	34,922		
Trucks & Equipment	110,189	-	-	110,189		
Sanitation Trucks & Equipment	96,394	-	-	96,394		
Water System	714,836	81,757	-	796,593		
Sewer System	653,355	-	-	653,355		
Sewer Lagoons	1,491,438	-	-	1,491,438		
Total other capital assets	3,101,135	81,757	-	3,182,892		
Less: Accum. Depreciation for:						
Buildings & Improvements	4,686	873	-	5,559		
Trucks & Equipment	75,450	5,112	-	80,561		
Sanitation Trucks & Equipment	52,072	8,647	-	60,719		
Water System	341,730	28,278	-	370,008		
Sewer System	621,559	2,102	-	623,662		
Sewer Lagoons	262,938	37,286	-	300,224		
Total Accumulated Depreciation	1,358,436	82,298	-	1,440,733		
Other capital assets, net	1,742,699	(541)	-	1,742,158		
Business-type activities capital assets, net	\$ 1,886,515	\$ (541)	\$ -	\$ 1,885,974		

The additions to accumulated depreciation include only the current year depreciation expense of \$82,298. The asset addition included the Water Tower Project.

NOTE 8 - LONG-TERM DEBT

GOVERNMENTAL FUND TYPES:

Lease Purchase Obligation - Lease Finance Partners, Inc.

On September 30, 2012, the Town of Caddo entered into a lease purchase agreement for the purchase of three (3) WatchGuard In-Car Videos. The

TOWN OF CADDO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

lease is for a term of 36 months with the first payment of \$545.00 due on lease execution. At the end of the lease term, the Town has the option to purchase all, but not less than all, of the lease equipment on an "as-is-where-is and with all faults" basis for One Dollar (\$1.00).

Note Payable - Kansas State Bank

The Town entered into a note payable with the Kansas State Bank for the purchase of three (3) Dodge Charger Police Cars. The note is for a term of sixty (60) months and will end on August 1, 2015 with an effective interest rate of 6.343% and monthly payments of \$1,598.98.

Changes in Long-Term Debt

The following is a summary of capital lease obligations for the year ended June 30, 2014:

	Balance 6/30/2013	Additions	Deductions	Balance 6/30/2014
Lease Finance Partners	\$ 12,842	\$ -	\$ (5,283)	\$ 7,558
Kansas State Bank	38,823	-	(17,277)	21,546
	<u>\$ 51,664</u>	<u>\$ -</u>	<u>\$ (22,560)</u>	<u>\$ 29,104</u>

A summary of future maturities of principal and interest are as follows:

Year Ending June 30,	Lease Finance Partners		Total
	Principal	Interest	
2015	5,953	587	\$ 6,540
2016	1,605	30	1,635
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2024	-	-	-
Total	<u>\$ 7,558</u>	<u>\$ 617</u>	<u>\$ 8,175</u>

Year Ending June 30,	Kansas State Bank		Total
	Principal	Interest	
2015	18,373	815	\$ 19,188
2016	3,174	24	3,198
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2024	-	-	-
Total	<u>\$ 21,546</u>	<u>\$ 840</u>	<u>\$ 22,386</u>

TOWN OF CADDO, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

PROPRIETARY FUND TYPES:

Notes Payable - USDA Rural Development

On April 21, 2005, the Caddo Public Works Authority incurred two notes due to Rural Development. The first note is in the amount of \$966,900.00 with a fixed interest rate of 4.25% with 480 monthly payments of principal and interest of \$4,236.00. The second note is in the amount of \$79,215.00 with a fixed interest rate of 4.25% with 480 monthly payments of principal and interest of \$347.00. The notes were for system improvements.

Changes in Long-Term Debt

The following is a summary of long-term debt additions and deductions for the twelve months ended June 30, 2014:

	Balance 6/30/2013	Additions	Deductions	Balance 6/30/2014
USDA RD #92-01	\$ 885,516	\$ -	\$ (13,456)	\$ 872,060
USDA RD #92-03	72,552	-	(1,102)	71,450
	<u>\$ 958,067</u>	<u>\$ -</u>	<u>\$ (14,558)</u>	<u>\$ 943,510</u>

A summary of future maturities of principal and interest are as follows:

USDA Rural Development #92-01:

FYE June 30,	Principal	Interest	Total
2015	\$ 14,040.89	\$ 36,791.11	\$ 50,832.00
2016	14,649.37	36,182.63	50,832.00
2017	15,284.26	35,547.74	50,832.00
2018	15,946.63	34,885.37	50,832.00
2019	16,637.71	34,194.29	50,832.00
2020-2024	94,649.86	159,510.14	254,160.00
2025-2029	117,015.79	137,144.21	254,160.00
2030-2034	144,666.88	109,493.12	254,160.00
2035-2039	178,851.90	75,308.10	254,160.00
2040-2044	221,114.99	33,045.01	254,160.00
2045	39,201.36	729.21	39,930.57
	<u>\$ 872,059.64</u>	<u>\$ 692,830.93</u>	<u>\$ 1,564,890.57</u>

TOWN OF CADDO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

USDA Rural Development #92-03:

FYE June 30,	Principal	Interest	Total
2015	\$ 1,149.59	\$ 3,014.41	\$ 4,164.00
2016	1,199.44	2,964.56	4,164.00
2017	1,251.39	2,912.61	4,164.00
2018	1,305.64	2,858.36	4,164.00
2019	1,362.21	2,801.79	4,164.00
2020-2024	7,749.46	13,070.54	20,820.00
2025-2029	9,580.69	11,239.31	20,820.00
2030-2034	11,844.61	8,975.39	20,820.00
2035-2039	14,643.52	6,176.48	20,820.00
2040-2044	18,103.86	2,716.14	20,820.00
2045	3,259.52	61.47	3,320.99
	<u>\$ 71,449.93</u>	<u>\$ 56,791.06</u>	<u>\$ 128,240.99</u>

NOTE 9 - GRANT INCOME

The Town of Caddo was approved for a REAP grant from SODA (Southern Oklahoma Development Association) in the amount of \$50,000.00 for a Water Tower Project. As of June 30, 2014, \$50,000.00 has been received and expended.

NOTE 10 - EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Oklahoma Municipal Retirement Fund

The Town provides a defined contribution plan and trust known as the Town of Caddo Plan and Trust (the "OMRF Plan") in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF) available to all full-time employees. OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by Bank One Trust Company of Oklahoma City. The defined contribution plan is mandatory to all full-time employees who are not already participating in another plan. The employee contributes to the Plan and amount of 3% of their gross wages. The Town as employer, contributes a match of 3%. If any employee terminates before becoming fully vested (vested after seven years), the employer's contributions that are forfeited may be used to reduce the Town's current-period contribution requirements.

The OMRF contributions for 2014, 2013 and 2012 for the Town, respectively, were \$8,304.42, \$8,563.66 and \$6,793.64.

The OMRF contributions for 2014, 2013 and 2012 for the PWA, respectively, were \$10,372.81, \$10,161.50 and \$9,704.00.

TOWN OF CADDO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, OK 73105.

Volunteer Firefighters Pension Fund

The Town volunteer firemen participate only in the Oklahoma State Firefighters Pension and Retirement System which is a defined contributions plan applying only to the Town's volunteer firefighters. Eligibility to participate includes all full-time or voluntary firefighters or a participating municipality if they are hired before age 45. The State Statute gives the authority to establish contribution obligations and benefits. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. The eligibility and benefits for distribution for volunteer firemen is 20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.

Contributions are made by the Town at the rate of \$60 per volunteer firefighter per year. The total contribution for 2014, 2013 and 2012, respectively were \$600, \$660 and \$660.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

NOTE 11 - FUND EQUITY

As described in Note 1 above, equity is classified as net position and displayed in three components:

1. Net investment in capital assets
2. Restricted
3. Unrestricted

TOWN OF CADDO, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

Fund Balances

Town of Caddo, Oklahoma
 Disclosure of Fund Balances Reported on Balance Sheet
 For Fiscal Year Ending June 30, 2014

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES:				
Unassigned	\$ 199,346	\$ -	\$ -	\$ 199,346
Total	\$ 199,346	\$ -	\$ -	\$ 199,346

NOTE 12 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through October 7, 2014, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2014.

NOTE 13 - PRIOR YEAR ADJUSTMENTS

Prior year adjustments were made as follows:

General Fund	\$ (381)
Caddo PWA	\$ (42)
Total	\$ (423)

The adjustment to the government wide financial statements for the General Fund was to adjust the beginning balance of the Lease Finance Lease Obligation. The adjustment to the Caddo PWA fund was to adjust the beginning balance of the USDA Rural Development note payable.

TOWN OF CADDO, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE TWELVE MONTHS ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 167,075	\$ 167,075	\$ 138,487	\$ (28,588)
Resources (Inflows):				
Sales, Use & Tobacco Tax	190,000	190,000	269,149	79,149
Franchise Taxes	35,000	35,000	27,604	(7,396)
Alcoholic Beverage Tax	6,500	6,500	6,903	403
Commercial Vehicle & Gas Excise Taxes	9,000	9,000	9,727	727
Fines, Fees & Seizures	200,000	200,000	187,607	(12,393)
Rent Income	3,000	3,000	2,395	(605)
Licenses & Permits	250	250	255	5
Museum Sales	3,500	3,500	2,313	(1,187)
Other Income	2,000	2,000	10,271	8,271
Interest Income	200	200	122	(78)
Amounts available for appropriation	<u>616,525</u>	<u>616,525</u>	<u>654,833</u>	<u>38,308</u>
Charges to Appropriations (Outflows):				
Current:				
General Government	108,517	108,517	115,597	(7,080)
Public Safety	262,883	262,883	225,865	37,018
Street & Alley	105,170	105,170	79,743	25,427
Community Services	32,254	32,254	34,283	(2,028)
Total Charges to Appropriations	<u>508,825</u>	<u>508,825</u>	<u>455,488</u>	<u>53,337</u>
Prior Year Adjustments to Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u><u>107,700</u></u>	<u><u>107,700</u></u>	<u><u>199,346</u></u>	<u><u>91,646</u></u>

TOWN OF CADDO, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2014

The Town adopts an annual budget for all funds established by the governing body as required by O.S. 11 Section 17.207 through 17.210. The state statutes also require that the budget be adopted by resolution or per the Town charter at the legal level of classification (fund, department, & object category) and that the budget be filed with County Clerk and the State Auditor and Inspector. The Town may transfer budgeted amounts within and among departments.

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

To the Town Council
Town of Caddo, 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, and in accordance with Oklahoma Statutes, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Caddo, 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 Caddo, Oklahoma's basic financial statements, and have issued our report thereon dated October 7, 2014. The Town of Caddo, Oklahoma has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the Town did not present the required MD&A.

Internal Control Over Financial Reporting

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

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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 that we consider to be significant deficiencies. Those deficiencies are listed as Item 14-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Caddo, Oklahoma's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Town of Caddo's Response to Findings

Town of Caddo's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Caddo'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

This report is intended 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.

Kershaw CPA & Associates, P.C.

Kershaw, CPA & Associates, PC

October 7, 2014

TOWN OF CADDO, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2014

Item 14-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the Town.

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