

Town of Arcadia

Arcadia, Oklahoma

Financial Statements

(Prepared on the Modified Cash Basis)

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)



**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Town of Arcadia
Arcadia, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Arcadia (the "Town") as of and for the years ended June 30, 2014 and 2013, and the related notes to the basic 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 auditors' 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 auditors consider 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

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, and each major fund of the Town as of June 30, 2014 and 2013, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the years then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matters

Basis of Accounting

We draw attention to Note 1 of the financial statements, which 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. Our opinions are not modified with respect to this matter.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2013 the Town adopted new accounting guidance, Statements No. 63 and No. 65 of the Governmental Accounting Standards Board (GASB), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Items Previously Reported as Assets and Liabilities*, respectively. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary comparison information on pages 29–30, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2016, on our consideration of the Town'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 the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
February 4, 2016

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

STATEMENTS OF NET POSITION—MODIFIED CASH BASIS

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 78,201	38,997	117,198
Internal balances	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>
Total assets	<u>\$ 153,201</u>	<u>(36,003)</u>	<u>117,198</u>
Liabilities and Net Position			
Total liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>
Net position:			
Restricted for:			
CLEET	5	-	5
Street and alley	2,303	-	2,303
Debt service	-	24,164	24,164
Unrestricted	<u>150,893</u>	<u>(60,167)</u>	<u>90,726</u>
Total net position	<u>153,201</u>	<u>(36,003)</u>	<u>117,198</u>
Total liabilities and net position	<u>\$ 153,201</u>	<u>(36,003)</u>	<u>117,198</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

STATEMENTS OF NET POSITION—MODIFIED CASH BASIS, CONTINUED

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 36,350	22,707	59,057
Internal balances	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>
Total assets	<u>\$ 111,350</u>	<u>(52,293)</u>	<u>59,057</u>
Liabilities and Net Position			
Total liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>
Net position:			
Restricted for:			
CLEET	475	-	475
Street and alley	47	-	47
Debt service	-	15,955	15,955
Unrestricted	<u>110,828</u>	<u>(68,248)</u>	<u>42,580</u>
Total net position	<u>111,350</u>	<u>(52,293)</u>	<u>59,057</u>
Total liabilities and net position	<u>\$ 111,350</u>	<u>(52,293)</u>	<u>59,057</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

STATEMENTS OF ACTIVITIES—MODIFIED CASH BASIS

Year Ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue/ Change in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	
Primary government:						
Governmental activities:						
General government	\$(286,139)	2,169	-	(283,970)	-	(283,970)
Public safety	(35,864)	-	37,424	1,560	-	1,560
Street and alley	(5,079)	-	-	(5,079)	-	(5,079)
Community development	(12,475)	10,211	-	(2,264)	-	(2,264)
Total governmental activities	<u>(339,557)</u>	<u>12,380</u>	<u>37,424</u>	<u>(289,753)</u>	<u>-</u>	<u>(289,753)</u>
Business-type activities:						
Trash collection	(10,517)	10,881	-	-	364	364
Water	(74,166)	-	-	-	(74,166)	(74,166)
Total business-type activities	<u>(84,683)</u>	<u>10,881</u>	<u>-</u>	<u>-</u>	<u>(73,802)</u>	<u>(73,802)</u>
Total primary government	<u>\$(424,240)</u>	<u>23,261</u>	<u>37,424</u>	<u>(289,753)</u>	<u>(73,802)</u>	<u>(363,555)</u>
General revenues and transfers:						
Taxes:						
Sales and use taxes				354,561	-	354,561
Fines and forfeitures				65,284	-	65,284
Miscellaneous				1,759	92	1,851
Transfers				(90,000)	90,000	-
Total general revenues and transfers				<u>331,604</u>	<u>90,092</u>	<u>421,696</u>
Change in net position				41,851	16,290	58,141
Net position, beginning of year				<u>111,350</u>	<u>(52,293)</u>	<u>59,057</u>
Net position, end of year				<u>\$ 153,201</u>	<u>(36,003)</u>	<u>117,198</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

STATEMENTS OF ACTIVITIES—MODIFIED CASH BASIS, CONTINUED

Year Ended June 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue/ Change in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Primary government:						
Governmental activities:						
General government	\$ (305,836)	2,454	-	(303,382)	-	(303,382)
Public safety	(36,738)	-	-	(36,738)	-	(36,738)
Street and alley	(5,506)	-	-	(5,506)	-	(5,506)
Community development	(14,835)	10,679	-	(4,156)	-	(4,156)
Total governmental activities	<u>(362,915)</u>	<u>13,133</u>	<u>-</u>	<u>(349,782)</u>	<u>-</u>	<u>(349,782)</u>
Business-type activities:						
Trash collection	(9,969)	11,278	-	-	1,309	1,309
Water	(75,179)	-	500	-	(74,679)	(74,679)
Total business-type activities	<u>(85,148)</u>	<u>11,278</u>	<u>500</u>	<u>-</u>	<u>(73,370)</u>	<u>(73,370)</u>
Total primary government	<u>\$ (448,063)</u>	<u>24,411</u>	<u>500</u>	<u>(349,782)</u>	<u>(73,370)</u>	<u>(423,152)</u>
General revenues and transfers:						
Taxes:						
Sales and use taxes				355,445	-	355,445
Fines and forfeitures				54,209	-	54,209
Miscellaneous				1,674	51	1,725
Transfers				(88,000)	88,000	-
Total general revenues and transfers				<u>323,328</u>	<u>88,051</u>	<u>411,379</u>
Change in net position				(26,454)	14,681	(11,773)
Net position, beginning of year				<u>137,804</u>	<u>(66,974)</u>	<u>70,830</u>
Net position, end of year				<u>\$ 111,350</u>	<u>(52,293)</u>	<u>59,057</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

BALANCE SHEETS—GOVERNMENTAL FUNDS—MODIFIED CASH BASIS

June 30, 2014

	General Fund	Street and Alley	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 75,822	2,379	78,201
Due from other funds	<u>75,076</u>	<u>-</u>	<u>75,076</u>
 Total assets	 <u>\$ 150,898</u>	 <u>2,379</u>	 <u>153,277</u>
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ -	76	76
Total liabilities	<u>-</u>	<u>76</u>	<u>76</u>
Fund balances:			
Restricted for:			
CLEET	5	-	5
Street and alley	-	2,303	2,303
Unassigned	<u>150,893</u>	<u>-</u>	<u>150,893</u>
Total fund balances	<u>150,898</u>	<u>2,303</u>	<u>153,201</u>
 Total liabilities and fund balances	 <u>\$ 150,898</u>	 <u>2,379</u>	 <u>153,277</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

BALANCE SHEETS—GOVERNMENTAL FUNDS—MODIFIED CASH BASIS, CONTINUED

June 30, 2013

	General Fund	Street and Alley	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 36,227	123	36,350
Due from other funds	<u>75,076</u>	<u>-</u>	<u>75,076</u>
 Total assets	 <u>\$ 111,303</u>	 <u>123</u>	 <u>111,426</u>
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ -	76	76
Total liabilities	<u>-</u>	<u>76</u>	<u>76</u>
Fund balances:			
Restricted for:			
CLEET	475	-	475
Street and alley	-	47	47
Unassigned	<u>110,828</u>	<u>-</u>	<u>110,828</u>
Total fund balances	<u>111,303</u>	<u>47</u>	<u>111,350</u>
 Total liabilities and fund balances	 <u>\$ 111,303</u>	 <u>123</u>	 <u>111,426</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—
GOVERNMENTAL FUNDS—MODIFIED CASH BASIS**

Year Ended June 30, 2014

	General Fund	Street and Alley	Total Governmental Funds
Revenues:			
Taxes	\$ 352,053	2,508	354,561
Intergovernmental	37,424	-	37,424
Charges for services	10,211	-	10,211
Fines and forfeitures	65,284	-	65,284
Licenses and permits	2,169	-	2,169
Miscellaneous	1,758	1	1,759
Total revenues	<u>468,899</u>	<u>2,509</u>	<u>471,408</u>
Expenditures:			
Current:			
General government	253,189	-	253,189
Public safety	35,864	-	35,864
Street and alley	-	5,079	5,079
Community development	12,475	-	12,475
Capital outlay	32,950	-	32,950
Total expenditures	<u>334,478</u>	<u>5,079</u>	<u>339,557</u>
Excess (deficiency) of revenues over expenditures	<u>134,421</u>	<u>(2,570)</u>	<u>131,851</u>
Other financing sources (uses):			
Transfers in	42,352	4,826	47,178
Transfers out	<u>(137,178)</u>	<u>-</u>	<u>(137,178)</u>
Total other financing sources (uses)	<u>(94,826)</u>	<u>4,826</u>	<u>(90,000)</u>
Net changes in fund balances	39,595	2,256	41,851
Fund balances, beginning of year	<u>111,303</u>	<u>47</u>	<u>111,350</u>
Fund balances, end of year	<u>\$ 150,898</u>	<u>2,303</u>	<u>153,201</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—
GOVERNMENTAL FUNDS—MODIFIED CASH BASIS, CONTINUED**

Year Ended June 30, 2013

	General Fund	Street and Alley	Total Governmental Funds
Revenues:			
Taxes	\$ 353,494	1,951	355,445
Charges for services	10,679	-	10,679
Fines and forfeitures	54,209	-	54,209
Licenses and permits	2,454	-	2,454
Miscellaneous	1,671	3	1,674
Total revenues	<u>422,507</u>	<u>1,954</u>	<u>424,461</u>
Expenditures:			
Current:			
General government	233,233	-	233,233
Public safety	36,738	-	36,738
Street and alley	-	5,506	5,506
Community development	14,835	-	14,835
Capital outlay	72,603	-	72,603
Total expenditures	<u>357,409</u>	<u>5,506</u>	<u>362,915</u>
Excess (deficiency) of revenues over expenditures	<u>65,098</u>	<u>(3,552)</u>	<u>61,546</u>
Other financing sources (uses):			
Transfers in	79,021	-	79,021
Transfers out	<u>(167,021)</u>	<u>-</u>	<u>(167,021)</u>
Total other financing uses	<u>(88,000)</u>	<u>-</u>	<u>(88,000)</u>
Net changes in fund balances	(22,902)	(3,552)	(26,454)
Fund balances, beginning of year	<u>134,205</u>	<u>3,599</u>	<u>137,804</u>
Fund balances, end of year	<u>\$ 111,303</u>	<u>47</u>	<u>111,350</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

STATEMENTS OF NET POSITION—PROPRIETARY FUND—MODIFIED CASH BASIS

<i>June 30,</i>	<i>2014</i>	<i>2013</i>
	<u>Town of Arcadia Public Works Authority</u>	
Assets		
Restricted cash	\$ 24,164	15,955
Unrestricted cash	<u>14,833</u>	<u>6,752</u>
Total assets	<u>\$ 38,997</u>	<u>22,707</u>
Liabilities and Net Position		
Due to other funds	<u>\$ 75,000</u>	<u>75,000</u>
Total liabilities	<u>75,000</u>	<u>75,000</u>
Net position:		
Restricted for debt service	24,164	15,955
Unrestricted	<u>(60,167)</u>	<u>(68,248)</u>
Total net position	<u>(36,003)</u>	<u>(52,293)</u>
Total liabilities and net position	<u>\$ 38,997</u>	<u>22,707</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION—
PROPRIETARY FUND—MODIFIED CASH BASIS**

<i>Years Ended June 30,</i>	<i>2014</i>	<i>2013</i>
	<u>Town of Arcadia Public Works Authority</u>	
Operating revenues:		
Trash collection	\$ 10,881	11,278
Total operating revenues	<u>10,881</u>	<u>11,278</u>
Operating expenses:		
Trash service charge	10,517	9,969
Salaries	20,497	20,497
Utilities	685	609
Professional fees and license	2,000	25
Engineering expense	70	4,241
Miscellaneous	1,642	535
Total operating expenses	<u>35,411</u>	<u>35,876</u>
Operating loss	<u>(24,530)</u>	<u>(24,598)</u>
Non-operating (expenses) revenues:		
USDA grant award	-	500
Miscellaneous income	92	51
Long-term debt—interest expense	(37,216)	(37,709)
Long-term debt—principal paid	<u>(12,056)</u>	<u>(11,563)</u>
Total non-operating expenses, net	<u>(49,180)</u>	<u>(48,721)</u>
Loss before transfers	<u>(73,710)</u>	<u>(73,319)</u>
Transfers from Town of Arcadia	<u>90,000</u>	<u>88,000</u>
Changes in net position	16,290	14,681
Net position, beginning of year	<u>(52,293)</u>	<u>(66,974)</u>
Net position, end of year	<u>\$ (36,003)</u>	<u>(52,293)</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

STATEMENTS OF CASH FLOWS—PROPRIETARY FUND—MODIFIED CASH BASIS

Increase (Decrease) in Cash and Cash Equivalents

<i>Years Ended June 30,</i>	<i>2014</i>	<i>2013</i>
	Town of Arcadia <u>Public Works Authority</u>	
Cash flows from operating activities:		
Receipts from customers	\$ 10,881	11,278
Payments to suppliers	(14,914)	(15,379)
Payments to employees	(20,497)	(20,497)
Net cash used in operating activities	<u>(24,530)</u>	<u>(24,598)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	<u>90,000</u>	<u>88,000</u>
Net cash provided by noncapital financing activities	<u>90,000</u>	<u>88,000</u>
Cash flows from capital and related financing activities:		
Proceeds of grant	-	500
Interest paid on debt	(37,216)	(37,709)
Principal paid on debt	(12,056)	(11,563)
Net cash used in capital and related financing activities	<u>(49,272)</u>	<u>(48,772)</u>
Cash flows from investing activities:		
Interest received	<u>92</u>	<u>51</u>
Net cash provided by investing activities	<u>92</u>	<u>51</u>
Net decrease in cash and cash equivalents	16,290	14,681
Cash and cash equivalents, beginning of year	<u>22,707</u>	<u>8,026</u>
Cash and cash equivalents, end of year	<u>\$ 38,997</u>	<u>22,707</u>

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**STATEMENTS OF CASH FLOWS—PROPRIETARY FUND—MODIFIED CASH BASIS,
CONTINUED**

Increase (Decrease) in Cash and Cash Equivalents

<i>Years Ended June 30,</i>	<i>2014</i>	<i>2013</i>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (24,530)	(24,598)
Adjustments to reconcile operating loss to net cash used in operating activities	-	-
Net cash used in operating activities	<u>\$ (24,530)</u>	<u>(24,598)</u>
Reconciliation of cash balances to statements of net position:		
Cash and cash equivalents	\$ 14,833	6,752
Restricted cash and cash equivalents—current	<u>24,164</u>	<u>15,955</u>
Total cash and cash equivalents, end of year	<u>\$ 38,997</u>	<u>22,707</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

In determining the financial reporting entity, the Town of Arcadia (the “Town”) complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and Statement No. 61, *The Financial Reporting Entity: Omnibus* that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report. The Town’s financial reporting entity includes two separate legal entities reported as the primary government and component units.

- The Town of Arcadia—An incorporated town that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the Town—reported as part of the primary government.
- The Arcadia Public Works Authority (APWA)—Public trust created on October 22, 1998, for the purpose of providing water and waste services to the citizens in the Town, with the Town Council members serving as the trustees—considered part of the primary government as a blended component unit for reporting purposes.

For the above public trust, the Town is the beneficiary of the trust and the Town Council either serves as the governing body of the trust or appoints the trustees. In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the Town Council. This is considered sufficient imposition of will to include the trust within the Town’s financial reporting entity.

Basis of Accounting and Presentation

Government-Wide Financial Statements

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

See Independent Auditors’ Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting and Presentation, Continued

Government-Wide Financial Statements, Continued

These modifications include adjustments for the following balances arising from cash transactions:

- Cash-based interfund receivables and payables
- Other cash-based receivables/payables

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, property, equipment, and infrastructure assets are not recorded or depreciated, nor is debt reflected as a liability.

Program revenues within the statements of activities are derived directly from each activity or from parties outside the Town's taxpayers. The Town has the following program revenues in each activity:

- General government—Licenses and permits, fines and fees, sales, and tobacco taxes
- Public safety—Fine revenue and operating grants
- Street and alley—Alcohol, gas excise, and commercial vehicle taxes
- Community development—Permits and rental fees

See Independent Auditors' Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting and Presentation, Continued

Governmental Funds

The Town's governmental funds are comprised of the following:

Major Funds:

- General Fund—Accounts for all activities not accounted for in other special-purpose funds. For external financial statement reporting purposes, the CLEET fund which accounts for special revenues and expenditures for CLEET, is combined and reported with the General Fund.
- Street and Alley Fund—A special revenue fund that accounts for revenues constrained for special projects of the Town.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities resulting from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Fund:

The Town's proprietary fund is comprised of the following:

- Arcadia Public Works Authority (APWA)—Accounts for the operation of the water and sanitation activities.

The proprietary fund is also reported on a modified cash basis, as defined above.

For purposes of the statements of revenues, expenses and changes in net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

See Independent Auditors' Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting and Presentation, Continued

New Accounting Standards

The Town implemented the following standards during the fiscal year ended June 30, 2013:

- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*—Intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The implementation of this standard did not have a significant impact on the Town’s financial statement presentation.
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*—Provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The implementation of this standard did not have a significant impact on the Town’s financial statement presentation other than the renaming of “Net Assets” as “Net Position.”
- Statement No. 65, *Items Previously Reported as Assets and Liabilities*—The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources; and recognize certain items that were previously reported as assets or liabilities as outflows of resources or inflows of resources. The implementation of this standard did not have a significant impact on the Town’s financial statement presentation.

Cash and Cash Equivalents

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of 3 months or less, and money market accounts.

Capital Assets

Due to the use of the modified cash basis of accounting, capital assets and related depreciation are not reported in the financial statements.

See Independent Auditors’ Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Long-Term Debt

In connection with the water and waste disposal systems for Rural Communities grant awarded by the United States Department of Agriculture (USDA) Rural Utilities Service, APWA was required to obtain long-term debt to finance a portion of the project. APWA obtained two loans from the USDA during August 2007: one for \$410,200 with an interest rate of 4.25%; and one for \$525,800 with an interest rate of 4.125%. The loans are to be repaid over a 40-year period and required interest-only payments for the first 2 years. The interest-only payments were advanced to APWA from the grant funds. APWA was required to maintain two reserve cash accounts in accordance with the loan agreement: a debt service account with funds equal to one annual payment; and a depreciation account for long-lived assets for unanticipated emergency maintenance and repairs.

Due to the use of the modified cash basis of accounting, long-term debt obligations are not reported in the financial statements. However, the amount of long-term debt issued and outstanding at the end of the fiscal year is reported as a commitment in Note 7.

Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is not considered material due to the limited number of employees.

Management's Review of Subsequent Events

The Town's management has evaluated subsequent events through February 4, 2016, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

See Independent Auditors' Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Balances and Net Position

Governmental fund equity is classified as fund balance. Fund balance is now further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- Nonspendable—includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted—consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- Committed—includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. The Town’s highest level of decision-making authority is made by ordinance.
- Assigned—includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town Council action or management decision when the Town Council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- Unassigned—represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the Town’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The Town’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

See Independent Auditors’ Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Balances and Net Position, Continued

Net position is displayed in two components:

- Restricted net position—consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position—all other net position that do not meet the definition of “restricted.”

It is the Town’s policy to first use restricted net position prior to the use of unrestricted net position when expenditures are incurred for purposes for which both restricted and unrestricted net position are available.

Internal and Interfund Balances and Transfers

The Town’s policy is to eliminate interfund transfers and balances in the statements of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

(2) DEPOSITS

At June 30 the primary government held the following deposits:

	<u>Type</u>	<u>2014</u>	<u>2013</u>
Demand deposits		\$ 117,198	59,057

See Independent Auditors’ Report.

**TOWN OF ARCADIA
 ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) DEPOSITS, CONTINUED

Custodial Credit Risk

Exposure to custodial credit related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Town’s name.

The Town’s policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. At June 30, 2014, the Town was not under-collateralized at any financial institution.

Restricted Cash and Cash Equivalents

The amounts reported as restricted net position on the statements of net position are comprised of amounts restricted for Town projects, public safety, debt service payments, and asset maintenance purposes. The restricted assets as of June 30 were as follows:

	<u>2014</u>	<u>2013</u>
CLEET	\$ 5	475
Street and alley	2,303	47
Debt service payment account (required by USDA)	11,938	6,974
Asset maintenance account (required by USDA)	<u>12,226</u>	<u>8,981</u>
	<u>\$ 26,472</u>	<u>16,477</u>

(3) SALES TAX REVENUE

Sales tax revenue represents a four cent local tax on each dollar of taxable sales within the Town, in accordance with Ordinance 89-1504. Sales tax revenue is recorded in the General Fund for general operations.

See Independent Auditors’ Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) PROPERTY TAX LEVY

The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the Town.

(5) INTERNAL AND INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30 were as follows:

		2014	
<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Business</u>
APWA	General Fund	\$ 75,000	Loan for operations
Street and alley	General Fund	76	To return funds transferred to Street and alley in error
		<u>\$ 75,076</u>	

<u>Reconciliation to Fund Financial Statements</u>	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental funds	\$ 75,000	-	75,000
Proprietary funds	-	(75,000)	(75,000)
	<u>\$ 75,000</u>	<u>(75,000)</u>	<u>-</u>

		2013	
<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Business</u>
APWA	General Fund	\$ 75,000	Loan for operations
Street and alley	General Fund	76	To return funds transferred to Street and alley in error
		<u>\$ 75,076</u>	

<u>Reconciliation to Fund Financial Statements</u>	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental funds	\$ 75,000	-	75,000
Proprietary funds	-	(75,000)	(75,000)
	<u>\$ 75,000</u>	<u>(75,000)</u>	<u>-</u>

See Independent Auditors' Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) INTERNAL AND INTERFUND BALANCES AND TRANSFERS, CONTINUED

Transfers between funds and legal entities are comprised of the following:

		2014		
<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>	
General Fund	APWA	\$ <u>90,000</u>	Debt service	
Reconciliation to				
<u>Fund Financial Statements</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>	
Governmental funds	\$ -	(90,000)	(90,000)	
Proprietary funds	<u>90,000</u>	<u>-</u>	<u>90,000</u>	
	<u>\$ 90,000</u>	<u>(90,000)</u>	<u>-</u>	
2013				
<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>	
General Fund	APWA	\$ <u>88,000</u>	Debt service	
Reconciliation to				
<u>Fund Financial Statements</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>	
Governmental funds	\$ -	(88,000)	(88,000)	
Proprietary funds	<u>88,000</u>	<u>-</u>	<u>88,000</u>	
	<u>\$ 88,000</u>	<u>(88,000)</u>	<u>-</u>	

See Independent Auditors' Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) RISK MANAGEMENT

The Town and its public trust are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. There were not any claims against the Town as of June 30, 2014 or 2013.

(7) COMMITMENTS AND CONTINGENCIES

Long-Term Debt

The APWA obtained two loans from the USDA to help with construction of a water system. The loans details are as follows:

- USDA promissory note 91-05 dated August 24, 2007, with an original amount of \$525,800, due in monthly installments of \$2,288 beginning September 24, 2009, interest-only payments paid the first 2 years due August 24 of 2008 and 2009, final installment due August 24, 2047, at a fixed interest rate of 4.125%.
- USDA promissory note 91-07 dated August 24, 2007, with an original amount \$410,200, due in monthly installments of \$1,818 beginning September 24, 2009, interest-only payments paid during the first 2 years due on August 24 of 2008 and 2009, final installment due August 24, 2047, at a fixed interest rate of 4.25%.

The following is a summary of the long-term debt as of June 30:

	<u>2014</u>	<u>2013</u>
USDA loan 91-05	\$ 495,181	502,026
USDA loan 91-07	<u>386,940</u>	<u>392,151</u>
	<u>882,121</u>	<u>894,177</u>
Less current maturities	<u>12,569</u>	<u>12,056</u>
Long-term debt, less current maturities	<u>\$ 869,552</u>	<u>882,121</u>

See Independent Auditors' Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) COMMITMENTS AND CONTINGENCIES, CONTINUED

Long-Term Debt, Continued

Changes in long-term debt were as follows:

	Balance at June 30, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance at June 30, <u>2014</u>
USDA loan 91-05	\$ 502,026	-	6,844	495,182
USDA loan 91-07	<u>392,151</u>	<u>-</u>	<u>5,212</u>	<u>386,939</u>
	<u>\$ 894,177</u>	<u>-</u>	<u>12,056</u>	<u>882,121</u>
	Balance at June 30, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance at June 30, <u>2013</u>
USDA loan 91-05	\$ 508,594	-	6,568	502,026
USDA loan 91-07	<u>397,146</u>	<u>-</u>	<u>4,995</u>	<u>392,151</u>
	<u>\$ 905,740</u>	<u>-</u>	<u>11,563</u>	<u>894,177</u>

Long-term debt service requirements are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 12,569	36,703	49,272
2016	13,105	36,167	49,272
2017	13,663	35,538	49,201
2018	14,245	35,308	49,553
2019	14,852	34,420	49,272
2020–2024	84,308	162,052	246,360
2025–2029	103,865	142,495	246,360
2030–2034	127,958	118,402	246,360
2035–2039	157,643	88,717	246,360
2040–2044	194,216	52,144	246,360
2045–2049	<u>145,697</u>	<u>10,039</u>	<u>155,736</u>
	<u>\$ 882,121</u>	<u>751,985</u>	<u>1,634,106</u>

See Independent Auditors' Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) COMMITMENTS AND CONTINGENCIES, CONTINUED

Litigation

The Town is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a 3-year period by a Town "Sinking Fund" for the payment of any court-assessed judgment rendered against the Town. These statutory provisions do not apply to the Town's public trust authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the state statute relating to judgments, the Town believes that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

Federal and State Award Programs

The Town participates in various federal or state grant/loan programs from year to year. In 2014 and 2013, the Town's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan.

Water System

The APWA received loan and grant funds from the USDA in order to complete the construction of a water system for the residents of Arcadia, Oklahoma. The funds were spent on supplies and labor utilized to construct the water system. Once construction was completed, it was determined that the water produced by the system did not meet required health standards to allow the residents of the town of Arcadia to utilize the water as expected. The funds were spent on allowable costs; however, the Authority is unable to operate the water system.

As of June 30, 2014 and 2013, the APWA was reviewing various available options in order to determine the best plan of action to bring the water system into compliance with required health standards and to provide water services through the system to the residents of Arcadia. At June 30, 2014 and 2013, no determination had been made as to if the water system is impaired.

See Independent Auditors' Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**BUDGETARY COMPARISON SCHEDULES—GENERAL FUND—
MODIFIED CASH BASIS**

Year Ended June 30, 2014

	General Fund			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		Actual Amounts	
	Original	Final		
Beginning budgetary fund balance:	\$ -	-	111,303	111,303
Resources (inflows):				
Taxes	276,496	276,496	352,053	75,557
Intergovernmental	5,100	5,100	37,424	32,324
Charges for services	3,895	3,895	10,211	6,316
Fines and forfeitures	42,000	42,000	65,284	23,284
Licenses and permits	7,260	7,260	2,169	(5,091)
Miscellaneous	1,103	1,103	1,758	655
Total resources (inflows)	<u>335,854</u>	<u>335,854</u>	<u>468,899</u>	<u>133,045</u>
Amounts available for appropriation	<u>335,854</u>	<u>335,854</u>	<u>580,202</u>	<u>244,348</u>
Charges to appropriations (outflows):				
General government	235,777	235,777	253,189	(17,412)
Public safety	39,500	39,500	35,864	3,636
Community development	24,298	24,298	12,475	11,823
Capital outlay	2,500	2,500	32,950	(30,450)
Transfers out	33,779	33,779	94,826	(61,047)
Total charges to appropriations (outflows)	<u>335,854</u>	<u>335,854</u>	<u>429,304</u>	<u>(93,450)</u>
Ending budgetary fund balance	<u>\$ -</u>	<u>-</u>	<u>150,898</u>	<u>150,898</u>

See Independent Auditors' Report.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

**BUDGETARY COMPARISON SCHEDULES—GENERAL FUND—
MODIFIED CASH BASIS, CONTINUED**

Year Ended June 30, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Beginning budgetary fund balance:	\$ -	-	134,205	134,205
Resources (inflows):				
Taxes	276,496	276,496	353,494	76,998
Intergovernmental	5,100	5,100	-	(5,100)
Charges for services	3,895	3,895	10,679	6,784
Fines and forfeitures	42,000	42,000	54,209	12,209
Licenses and permits	7,260	7,260	2,454	(4,806)
Miscellaneous	1,103	1,103	1,671	568
Total resources (inflows)	<u>335,854</u>	<u>335,854</u>	<u>422,507</u>	<u>86,653</u>
Amounts available for appropriation	<u>335,854</u>	<u>335,854</u>	<u>556,712</u>	<u>220,858</u>
Charges to appropriations (outflows):				
General government	235,777	235,777	233,233	2,544
Public safety	39,500	39,500	36,738	2,762
Community development	24,298	24,298	14,835	9,463
Capital outlay	2,500	2,500	72,603	(70,103)
Transfers out	33,779	33,779	88,000	(54,221)
Total charges to appropriations (outflows)	<u>335,854</u>	<u>335,854</u>	<u>445,409</u>	<u>(109,555)</u>
Ending budgetary fund balance	<u>\$ -</u>	<u>-</u>	<u>111,303</u>	<u>111,303</u>

FOOTNOTES TO BUDGETARY COMPARISON SCHEDULES:

1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Town Mayor's approval, while supplemental appropriations require Town Council approval.

See Independent Auditors' Report.



**INDEPENDENT AUDITORS' 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**

Board of Trustees
Town of Arcadia
Arcadia, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Arcadia, Oklahoma (the "Town") as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 4, 2016. Our report includes a paragraph which notes that the financial statements were prepared on the modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States. Our report also includes a paragraph which disclaims an opinion on budgetary comparison information—modified cash basis. In addition, our report includes an explanatory paragraph to emphasize the adoption of Governmental Accounting Standards Board Statements No. 63 and No. 65 by the Town.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

(Continued)

**INDEPENDENT AUDITORS' 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, CONTINUED**

Internal Control Over Financial Reporting, Continued

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. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2013/2014-1 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2013/2014-2 through 2013/2014-5 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Findings 2013/2014-6 through 2013/2014-11.

Town of Arcadia's Response to Findings

The Town's responses to the findings identified in our audits are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
February 4, 2016

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES

Years Ended June 30, 2014 and 2013

MATERIAL WEAKNESS

2013/2014-1 Property Records

Criteria: Property records, showing capital assets and infrastructure of the Town, should be maintained, reviewed and reconciled on a periodic basis.

Condition: The Town does not have any property records.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully execute duties.

Effect: Without property records, the Town cannot properly track, maintain, or protect capital assets.

Recommendation: We recommend property records be created for the Town.

Management's Response: While we have an inventory of items owned starting in 2003, it is not current and may not reflect actual purchase cost. However, using this list, we will develop a listing to be used for financial statements.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

SIGNIFICANT DEFICIENCIES

2013/2014-2 Segregation of Duties

Criteria: Segregation of duties over custody, bookkeeping, and reconciliation is important to have adequate control over financial assets.

Condition: During the year ended June 30, 2013, the Town had a lack of segregation of duties in the procedures performed by the utility clerk. The utility clerk was responsible for all aspects of the utility billing procedures, from the creation of the bill to the collection of the payment. This finding was considered resolved for the year ended June 30, 2014.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully segregate incompatible duties.

Effect: Without proper segregation of duties, the risk that errors and fraud related to the billing and collection activities could occur and not be detected within a timely basis increases.

Recommendation: Efficient segregation of duties in a small town environment is often difficult; however, we feel that the governing body and town management should be aware of the risk associated with this lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible. Regarding utility clerk duties, such control could consist of accounts receivable reconciliation reviews, payment posting report reviews, and utility adjustment reviews.

Management's Response: Arcadia presently has only one full-time staff person managing the day-to-day operations. Beginning in July 2013, an internal system is used to document and track funds that are received and spent by the Town. Currently, the administrative assistant collects and receives incoming payments. She completes a transmittal form and submits it to the treasurer, along with the receipt book and payments. The treasurer verifies the payments, initials them in the receipt book, signs off on the transmittal form, and deposits the payments in the bank. Invoices are reviewed and approved for payment by the Town's chairman. All checks are prepared and presented for signature by two officials, one being the Town's chairman.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

SIGNIFICANT DEFICIENCIES, CONTINUED

2013/2014-3 Revenue Recognition

Criteria: Total fines and fees and court fees should be reconciled and agreed to financial records on a periodic basis.

Condition: Reconciliations for the fines, fees, and court fees from the receipt book to the financials are not performed.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully execute duties.

Effect: Without a reconciliation, the risk that errors and fraud related to fines and fees activities could occur and not be detected within a timely basis increases.

Recommendation: We recommend fines fees and court fee revenues be reconciled and reviewed in order to ensure proper revenue recognition.

Management's Response: We concur and are in the process of implementing the recommendation.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

SIGNIFICANT DEFICIENCIES, CONTINUED

2013/2014-4 Transfers Between Funds

Criteria: Transfer amounts between funds should agree to the transfer shown per the other fund.

Condition: Reconciliations for the transfers are not performed.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully execute duties.

Effect: Without a reconciliation, the risk that errors and fraud related to transfers between funds could occur and not be detected within a timely basis increases.

Recommendation: We recommend reconciliations be performed and reviewed in order to ensure transfers are properly recorded between funds.

Management's Response: We agree with the comment and will implement the recommendation.

2013/2014-5 Receipt of CLEET Monies

Criteria: Portion of ticket to be used for CLEET activities.

Condition: Amounts deposited into the CLEET fund could not be recalculated as being proper nor could the amount be agreed to ticket information, as there is not a list of total tickets written and multiple payments can be paid for one ticket.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully execute duties.

Effect: Without a listing of tickets written, the risk that CLEET monies are not properly transferred to be used for CLEET activities increases.

Recommendation: We recommend a listing of tickets be maintained and reviewed in order to ensure CLEET funds are properly transferred and recorded.

Management's Response: There is a listing being maintained, and we will start to reconcile to the CLEET form.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

***FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS***

2013/2014-6 Water System Not in Operation

Criteria: The Town received grant and loan funds from the United States Department of Agriculture (USDA) to build a water distribution system for the Town of Arcadia. The distribution system has been completed, but is not in operation.

Condition: The overall goal was to complete a water distribution system to enhance the community lifestyle and provide water to the Town's residents. The objective/goal is still not complete.

Cause: The Town received loan and grant funds from the USDA in order to complete the construction of a water system for the residents of Arcadia, Oklahoma. The funds were spent on supplies and labor utilized to construct the water system. Once construction was completed, it was determined that the water produced by the system did not meet required health standards to allow the residents of the town of Arcadia to utilize the water as expected. The funds were spent on allowable costs; however, the Town is unable to operate the water system.

Effect: While the monies were spent on allowable purposes, the overall goal to provide water services has not been met. This could result in questioned costs for the Town.

Recommendation: The Town should continue to work with state and federal officials to develop a plan to provide water to its residents.

Management's Response: The Town is reviewing various available options in order to determine the best plan of action to bring the water system into compliance with required health standards and to provide water services through the system to the residents of Arcadia. The USDA is very much aware of the situation, and there has been no request for reimbursement.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

***FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, CONTINUED***

2013/2014-7 Required Reserve Accounts

**Federal Program Affected: CFDA No. 10.760, Water and Waste Disposal Systems
for Rural Communities**

Criteria: The APWA is required to establish separate reserve cash accounts for debt and asset reserves, per the loan agreement.

Condition: The reserve accounts were not established until 2011 and, as a result, the current balances in the accounts are not at the required levels.

Cause: The APWA was not aware of the requirement until 2011.

Effect: The APWA is not in compliance with the loan/grant agreement.

Recommendation: The APWA should continue the monthly payments agreed upon with the USDA until the reserves are fully funded.

Management's Response: The necessary accounts were established during 2011 and will be maintained as required.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

***FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, CONTINUED***

2013/2014-8 USDA Annual Report

Criteria: As stated in the loan and grant approval conditions letter from the USDA, the Town is required to remit an annual report to regulators within 90 days after the end of the fiscal year.

Condition: The Town did not remit the required 2013 and 2014 annual reports to the proper regulators within 90 days after the end of the fiscal year.

Cause: The Town was unable to complete the annual report, as an audit report is a component of the required annual report.

Effect: The Town is not in compliance with the loan/grant agreement.

Recommendation: We recommend that the required annual reports be submitted as directed.

Management's Response: We were unable to complete the annual report, as an audit report is a component of the required annual report. The USDA has waived the 90-day submission requirement until the audit report is completed.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

***FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, CONTINUED***

2013/2014-9 Yellow Book Report

Criteria: As stated in the loan and grant approval conditions letter from the USDA, the Town is to have an audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), the Yellow Book, for years in which less than \$500,000 of federal monies was expended. The audit should be remitted to the USDA within 150 days after the end of the fiscal year.

Condition: The Authority did not have the required audit submitted to the proper officials in a timely manner.

Effect: The Town is not in compliance with the loan/grant agreement.

Recommendation: The Authority should plan to have an audit done annually in order to comply with the requirements.

Management's Response: The audit was not completed on time; however, the Town had engaged the auditor and as soon as the audit could be scheduled and completed, it was. The completed audit report will be submitted as soon as possible.

2013/2014-10 Deficit Unrestricted Fund Balance

Criteria: Title II, Section 17-211 of the Oklahoma Statutes states that no expenditures may be incurred which exceeds the fund balance for any fund.

Condition: At June 30, 2014 and 2013, the fund balance for the APWA fund of the Town had a deficit balance of \$(36,003) and \$(52,293), respectively.

Effect: This appears to be a violation of the fund balance requirements prescribed by Title 11, Section 17-211 of the Oklahoma Statutes.

Recommendation: Management may want to consider approving a transfer of monies to alleviate this situation.

Management's Response: The reason for the deficit fund balance is due to the \$75,000 payable to the Town by the Authority. The deficit will be eliminated when the Authority receives additional funds from the USDA to repay the debt.

**TOWN OF ARCADIA
 ARCADIA, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

***FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
 ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
 GOVERNMENT AUDITING STANDARDS, CONTINUED***

2013/2014-11 Budgetary Compliance

Criteria: The Municipal Budget Act of 1979 states that no encumbrance or expenditure may be authorized or made which exceeds the available appropriation for each department within a fund.

Condition: For the years ended June 30, 2014 and 2013, expenditures exceeded appropriations at the legal level of control for the General Fund as follows:

<u>Fund</u>	<u>Department</u>	<u>Expenditures Exceeding</u>	
		<u>Appropriations</u>	
		<u>2014</u>	<u>2013</u>
General Fund	General government	\$ 17,412	-
General Fund	Capital outlay	30,450	70,103
General Fund	Transfers out	61,047	54,221

Effect: The Town was not in compliance with the Municipal Budget Act of 1979.

Recommendation: Procedures should be in place to monitor and avoid such items.

Management's Response: We will monitor and do a budget modification as and if needed.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Years Ended June 30, 2014 and 2013

MATERIAL WEAKNESS

2012-1 Property Records

Criteria: Property records, showing capital assets and infrastructure of the Town, should be maintained, reviewed and reconciled on a periodic basis.

Condition: The Town does not have any property records.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully execute duties.

Effect: Without property records, the Town cannot properly track, maintain, or protect capital assets.

Recommendation: We recommend property records be created for the Town.

Management's Response: While we have an inventory of items owned starting in 2003, it is not current and may not reflect actual purchase cost. However, using this list, we will develop a listing to be used for financial statements.

2013 and 2014 Follow-Up: This is a repeat finding in the June 30, 2014 and 2013, audits.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

SIGNIFICANT DEFICIENCIES

2012-2 Segregation of Duties

Criteria: Segregation of duties over custody, bookkeeping, and reconciliation is important to have adequate control over financial assets.

Condition: The Town currently has a lack of segregation of duties in the procedures performed by the utility clerk. The utility clerk is responsible for all aspects of the utility billing procedures, from the creation of the bill to the collection of the payment.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully segregate incompatible duties.

Effect: Without proper segregation of duties, the risk that errors and fraud related to the billing and collection activities could occur and not be detected within a timely basis increases.

Recommendation: Efficient segregation of duties in a small town environment is often difficult; however, we feel that the governing body and town management should be aware of the risk associated with this lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible. Regarding utility clerk duties, such control could consist of accounts receivable reconciliation reviews, payment posting report reviews, and utility adjustment reviews.

Management's Response: Arcadia presently has only one full-time staff person managing the day-to-day operations. An internal system is used to document and track funds that are received and spent by the Town. Currently, the administrative assistant collects and receives incoming payments. She completes a transmittal form and submits it to the treasurer, along with the receipt book and payments. The treasurer verifies the payments, initials them in the receipt book, signs off on the transmittal form, and deposits the payments in the bank. Invoices are reviewed and approved for payment by the Town's chairman. All checks are prepared and presented for signature by two officials, one being the Town's chairman.

2013 and 2014 Follow-Up: This situation was noted during the year ended June 30, 2013, and was resolved for the year ended June 30, 2014.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

SIGNIFICANT DEFICIENCIES, CONTINUED

2012-3 Revenue Recognition

Criteria: Total fines and fees and court fees should be reconciled and agreed to financial records on a periodic basis.

Condition: Reconciliations for the fines, fees, and court fees from the receipt book to the financials are not performed.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully execute duties.

Effect: Without a reconciliation, the risk that errors and fraud related to fines and fees activities could occur and not be detected within a timely basis increases.

Recommendation: We recommend fines fees and court fee revenues be reconciled and reviewed in order to ensure proper revenue recognition.

Management's Response: We concur and are in the process of implementing the recommendation.

Follow-Up: This is a repeat finding in the June 30, 2014 and 2013, audits.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

SIGNIFICANT DEFICIENCIES, CONTINUED

2012-4 Transfers Between Funds

Criteria: Transfer amounts between funds should agree to the transfer shown per the other fund.

Condition: Reconciliations for the transfers are not performed.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully execute duties.

Effect: Without a reconciliation, the risk that errors and fraud related to transfers between funds could occur and not be detected within a timely basis increases.

Recommendation: We recommend reconciliation be performed and reviewed in order to ensure transfers are properly recorded between funds.

Management's Response: We agree with the comment and will implement the recommendation.

Follow-Up: This is a repeat finding in the June 30, 2014 and 2013, audits.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

SIGNIFICANT DEFICIENCIES, CONTINUED

2012-5 Receipt of CLEET Monies

Criteria: Portion of ticket to be used for CLEET activities.

Condition: Amounts deposited into the CLEET fund could not be recalculated as being proper nor could the amount be agreed to ticket information, as there is not a list of total tickets written and multiple payments can be paid for one ticket.

Cause: The limited population of the town and limited resources result in the inability to provide sufficient staffing to fully execute duties.

Effect: Without a listing of tickets written, the risk that CLEET monies are not properly transferred to be used for CLEET activities increases.

Recommendation: We recommend a listing of tickets be maintained and reviewed in order to ensure CLEET funds are properly transferred and recorded.

Management's Response: There is a listing being maintained, and we will start to reconcile to the CLEET form.

Follow-Up: This is a repeat finding in the June 30, 2014 and 2013, audits.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

***FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS***

2012-6 Water System Not in Operation

Criteria: The Town received grant and loan funds from the United States Department of Agriculture (USDA) to build a water distribution system for the town of Arcadia. The distribution system has been completed, but is not in operation.

Condition: The overall goal was to complete a water distribution system to enhance the community lifestyle and provide water to the town's residents. The objective/goal is still not complete.

Cause: The Town received loan and grant funds from the USDA in order to complete the construction of a water system for the residents of Arcadia, Oklahoma. The funds were spent on supplies and labor utilized to construct the water system. Once construction was completed, it was determined that the water produced by the system did not meet required health standards to allow the residents of the town of Arcadia to utilize the water as expected. The funds were spent on allowable costs; however, the Town is unable to operate the water system.

Effect: While the monies were spent on allowable purposes, the overall goal to provide water services has not been met. This could result in questioned costs for the Town.

Recommendation: The Town should continue to work with state and federal officials to develop a plan to provide water to its residents.

Management's Response: The Town is reviewing various available options in order to determine the best plan of action to bring the water system into compliance with required health standards and to provide water services through the system to the residents of Arcadia. The USDA is very much aware of the situation, and there has been no request for reimbursement.

Follow-Up: This is a repeat finding in the June 30, 2014 and 2013, audits.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

***FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, CONTINUED***

2012-7 Required Reserve Accounts

Federal Program Affected: CFDA No. 10.760, Water and Waste Disposal Systems for Rural Communities

Criteria: The APWA is required to establish separate reserve cash accounts for debt and asset reserves, per the loan agreement.

Condition: The reserve accounts were not established until 2011.

Cause: The APWA was not aware of the requirement.

Effect: The APWA is not in compliance with the loan/grant agreement.

Recommendation: The APWA should have been aware of the loan requirements and should have established the accounts in a timely manner.

Management's Response: The necessary accounts were established during 2011 and will be maintained as required.

Follow-Up: This is a repeat finding in the June 30, 2014 and 2013, audits.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

***FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, CONTINUED***

2012-8 USDA Annual Report

Criteria: As stated in the loan and grant approval conditions letter from the USDA, the Town is required to remit an annual report to regulators within 90 days after the end of the fiscal year.

Condition: The Town did not remit the required 2012 annual report to the proper regulators within 90 days after the end of the fiscal year.

Cause: The Town was unable to complete the annual report, as an audit report is a component of the required annual report.

Effect: The Town is not in compliance with the loan/grant agreement.

Recommendation: We recommend that the required annual reports be submitted as directed.

Management's Response: We were unable to complete the annual report, as an audit report is a component of the required annual report. The USDA has waived the 90-day submission requirement until the audit report is completed.

Follow-Up: This is a repeat finding in the June 30, 2014 and 2013, audits.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

***FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, CONTINUED***

2012-9 Yellow Book Report

Criteria: As stated in the loan and grant approval conditions letter from the USDA, the Town is to have an audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), the Yellow Book, for years in which less than \$500,000 of federal monies was expended. The audit should be remitted to the USDA within 150 days after the end of the fiscal year.

Condition: The Authority did not have the required audit submitted to the proper officials in a timely manner.

Effect: The Town is not in compliance with the loan/grant agreement.

Recommendation: The Authority should plan to have an audit done annually in order to comply with the requirements.

Management's Response: The audit was not completed on time; however, the Town had engaged the auditor and as soon as the audit could be scheduled and completed, it was. The completed audit report will be submitted as soon as possible.

Follow-Up: This is a repeat finding in the June 30, 2014 and 2013, audits.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

***FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, CONTINUED***

2012-10 Budgetary Compliance

Auditors' Findings: For the year ended June 30, 2012, the Town was not in compliance with the Municipal Budget Act of 1979 due to the fact that expenditures exceeded appropriations at the legal level of control for the General Fund as follows:

<u>Fund</u>	<u>Department</u>	<u>Expenditures Exceeding Appropriations</u>
General Fund	General government	\$ 5,283
General Fund	Public safety	7,108
General Fund	Community development	7,393
General Fund	Capital outlay	1,247
General Fund	Transfers out	21,325

Auditors' Recommendation: Procedures should be in place to monitor and avoid such items.

Management's Response: We will monitor and do a budget modification as and if needed.

Follow-Up: This is a repeat finding in the June 30, 2014 and 2013, audits.

**TOWN OF ARCADIA
ARCADIA, OKLAHOMA**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES, CONTINUED

Years Ended June 30, 2014 and 2013

***FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, CONTINUED***

2012-11 Deficit Unrestricted Fund Balance

Auditors' Findings: At June 30, 2012, the fund balance for the APWA fund of the Town had a deficit balance of \$66,974. This appears to be a violation of the fund balance requirements prescribed by Title 11, Section 17-211 of the Oklahoma Statutes.

Auditors' Recommendation: Management may want to consider approving a transfer of monies to alleviate this situation.

Management's Response: The reason for the deficit fund balance is due to the \$75,000 payable to the Town by the Authority. The deficit will be eliminated when the Authority receives additional funds from the USDA to repay the debt.

Follow-Up: This is a repeat finding in the June 30, 2014 and 2013, audits.