

AUDIT REPORT  
TOWN OF HAWORTH, OKLAHOMA  
JUNE 30, 2016



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TOWN OF HAWORTH, OKLAHOMA  
JUNE 30, 2016

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TOWN OF HAWORTH, OKLAHOMA  
JUNE 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Haworth, Oklahoma

### *Report on the Financial Statements*

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Haworth, Oklahoma, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 Town'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

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accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Haworth, Oklahoma, as of June 30, 2016, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

## *Other Matters*

### *Supplementary and Other Information*

The supplementary sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2016, on our consideration of the Town of Haworth'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 Haworth's internal control over financial reporting and compliance.

### *Basis of Accounting*

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified

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cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

August 31, 2016

**TOWN OF HAWORTH, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**JUNE 30, 2016**

|  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>2016<br/>Total</u>      |
|--|------------------------------------|-------------------------------------|----------------------------|
| <b><u>ASSETS</u></b>                       |                                    |                                     |                            |
| <b><u>Current Assets:</u></b>              |                                    |                                     |                            |
| Cash and cash equivalents                  | \$ 80,820                          | \$ 47,241                           | \$ 128,061                 |
| Investments                                | -                                  | -                                   | -                          |
| Total Current Assets                       | <u>80,820</u>                      | <u>47,241</u>                       | <u>128,061</u>             |
| <b><u>Other Assets:</u></b>                |                                    |                                     |                            |
| Cash and cash equivalents - Restricted     | -                                  | 29,248                              | 29,248                     |
| Total Other Assets                         | <u>-</u>                           | <u>29,248</u>                       | <u>29,248</u>              |
| <b><u>Capital Assets:</u></b>              |                                    |                                     |                            |
| Land                                       | -                                  | 42,950                              | 42,950                     |
| Capital Assets, net of Accum. Depreciation | 386,724                            | 922,827                             | 1,309,551                  |
| Total Capital Assets                       | <u>386,724</u>                     | <u>965,777</u>                      | <u>1,352,501</u>           |
| <b>TOTAL ASSETS</b>                        | <u><b>467,544</b></u>              | <u><b>1,042,266</b></u>             | <u><b>1,509,809</b></u>    |
| <b><u>LIABILITIES</u></b>                  |                                    |                                     |                            |
| <b><u>Current Liabilities:</u></b>         |                                    |                                     |                            |
| Accounts Payable                           | -                                  | -                                   | -                          |
| Current Portion of Long-Term Debt          | -                                  | 5,435                               | 5,435                      |
| Customer Deposits                          | -                                  | 12,517                              | 12,517                     |
| Total Current Liabilities                  | <u>-</u>                           | <u>17,952</u>                       | <u>17,952</u>              |
| <b><u>Long-Term Liabilities:</u></b>       |                                    |                                     |                            |
| Capital Debt Obligations                   | -                                  | -                                   | -                          |
| Notes Payable - USDA RD                    | -                                  | 226,256                             | 226,256                    |
| Less: Current Portion of Long-Term Debt    | -                                  | (5,435)                             | (5,435)                    |
| Total Long-Term Liabilities                | <u>-</u>                           | <u>220,821</u>                      | <u>220,821</u>             |
| <b>TOTAL LIABILITIES</b>                   | <u><b>-</b></u>                    | <u><b>238,773</b></u>               | <u><b>238,773</b></u>      |
| <b><u>NET POSITION</u></b>                 |                                    |                                     |                            |
| Net investment in capital assets           | 386,724                            | 739,521                             | 1,126,244                  |
| Restricted for:                            |                                    |                                     |                            |
| Debt Service                               | -                                  | 14,345                              | 14,345                     |
| Other Purposes                             | -                                  | -                                   | -                          |
| Unrestricted                               | <u>80,820</u>                      | <u>49,627</u>                       | <u>130,447</u>             |
| <b>TOTAL NET POSITION</b>                  | <u><b>\$ 467,544</b></u>           | <u><b>\$ 803,493</b></u>            | <u><b>\$ 1,271,037</b></u> |

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

TOWN OF HAWORTH, OKLAHOMA  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| Functions/Programs                    | Expenses          | Program Revenues        |  |  | Net<br>(Expenses)/<br>Revenue |
|---------------------------------------|-------------------|-------------------------|--|--|-------------------------------|
|                                       |                   | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                               |
| <b>Governmental activities:</b>       |                   |                         |  |  |                               |
| General Government                    | \$ 106,191        | \$ -                    | \$ 12,150                                | \$ -                                   | \$ (94,042)                   |
| Public Safety                         | 19,740            | 11,581                  | -  | -                                      | (8,159)                       |
| Highways & Streets                    | 2,849             | -                       | -  | -                                      | (2,849)                       |
| Debt Service - Interest Expense       | -                 | -                       | -  | -                                      | -                             |
| <b>Total Governmental Activities</b>  | <b>128,780</b>    | <b>11,581</b>           | <b>12,150</b>                            | <b>-</b>                               | <b>(105,050)</b>              |
| <b>Business-type activities:</b>      |                   |                         |  |  |                               |
| Water                                 | 74,497            | 53,360                  | -  | -                                      | (21,138)                      |
| Sewer                                 | 20,447            | 28,839                  | -  | -                                      | 8,392                         |
| Sanitation                            | -                 | 4,084                   | -  | -                                      | 4,084                         |
| Misc. Other Business Activities       | 33,269            | 7,347                   | -  | -                                      | (25,922)                      |
| <b>Total Business-type Activities</b> | <b>128,213</b>    | <b>93,630</b>           | <b>-</b>                                 | <b>-</b>                               | <b>(34,583)</b>               |
| <b>Total</b>                          | <b>\$ 256,993</b> | <b>\$ 105,211</b>       | <b>\$ 12,150</b>                         | <b>\$ -</b>                            | <b>\$ (139,633)</b>           |

## Changes in Net Position:

|   | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|---|----------------------------|-----------------------------|---------------------|
| Net (expense)/revenue                         | \$ (105,050)               | \$ (34,583)                 | \$ (139,633)        |
| <b>General revenues:</b>                      |                            |                             |                     |
| <b>Taxes:</b>                                 |                            |                             |                     |
| Sales Tax                                     | 38,597                     | -                           | 38,597              |
| Cigar Tax                                     | 461                        | -                           | 461                 |
| Franchise Tax                                 | 5,737                      | -                           | 5,737               |
| <b>Intergovernmental:</b>                     |                            |                             |                     |
| Motor Vehicle Tax                             | 2,138                      | -                           | 2,138               |
| Alcoholic Beverage Tax                        | 4,977                      | -                           | 4,977               |
| Gasoline Excise Tax                           | 555                        | -                           | 555                 |
| Licenses & Permits                            | 50                         | -                           | 50                  |
| Miscellaneous Income                          | 6,717                      | -                           | 6,717               |
| Interest Income                               | 163                        | 211                         | 374                 |
| Transfers - Internal Activity                 | (3,017)                    | 3,017                       | -                   |
| <b>Total general revenues &amp; transfers</b> | <b>56,378</b>              | <b>3,228</b>                | <b>59,607</b>       |
| <b>Changes in net position</b>                | <b>(48,671)</b>            | <b>(31,355)</b>             | <b>(80,026)</b>     |
| Net position - beginning                      | 516,136                    | 834,986                     | 1,351,123           |
| Net position - prior year adjustment          | 79                         | (138)                       | (60)                |
| <b>Net position - ending</b>                  | <b>\$ 467,544</b>          | <b>\$ 803,493</b>           | <b>\$ 1,271,037</b> |

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

**TOWN OF HAWORTH, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

|  | <u>General<br/>Fund</u> | <u>Senior<br/>Citizens<br/>Center</u> | <u>Police<br/>Dept.</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|---------------------------------------|-------------------------|---|---|
| <b>ASSETS</b>                              |                         |                                       |                         |   |   |
| Cash and cash equivalents                  | \$ 65,702               | \$ 7,336                              | \$ 738                  | \$ 7,044                                | \$ 80,820                               |
| Investments                                | -                       | -                                     | -                       | -                                       | -                                       |
| <b>TOTAL ASSETS</b>                        | <u>\$ 65,702</u>        | <u>\$ 7,336</u>                       | <u>\$ 738</u>           | <u>\$ 7,044</u>                         | <u>\$ 80,820</u>                        |
| <b>LIABILITIES &amp; FUND EQUITY</b>       |                         |                                       |                         |   |   |
| <b>LIABILITIES:</b>                        |                         |                                       |                         |   |   |
| Accounts Payable                           | \$ -                    | \$ -                                  | \$ -                    | \$ -                                    | \$ -                                    |
| <b>TOTAL LIABILITIES</b>                   | <u>-</u>                | <u>-</u>                              | <u>-</u>                | <u>-</u>                                | <u>-</u>                                |
| <b>FUND BALANCES:</b>                      |                         |                                       |                         |   |   |
| Nonspendable                               | -                       | -                                     | -                       | -                                       | -                                       |
| Restricted                                 | -                       | -                                     | -                       | 4,489                                   | 4,489                                   |
| Committed                                  | -                       | -                                     | -                       | -                                       | -                                       |
| Assigned                                   | -                       | 7,336                                 | 738                     | 2,555                                   | 10,629                                  |
| Unassigned                                 | 65,702                  | -                                     | -                       | -                                       | 65,702                                  |
| <b>TOTAL FUND BALANCES</b>                 | <u>65,702</u>           | <u>7,336</u>                          | <u>738</u>              | <u>7,044</u>                            | <u>80,820</u>                           |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 65,702</u>        | <u>\$ 7,336</u>                       | <u>\$ 738</u>           | <u>\$ 7,044</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 \$974,705, net of accumulated depreciation of \$587,981, are not financial resources and, therefore, are not reported in the funds. | 386,724 |
|---|---------|

|  |          |
|--|----------|
| 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>-</u> |
|--|----------|

|   |                   |
|---|-------------------|
| Net Position of Governmental Activities | <u>\$ 467,544</u> |
|---|-------------------|

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

**TOWN OF HAWORTH, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

|   | General<br>Fund  | Senior<br>Citizens<br>Center | Police<br>Dept. | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|------------------|------------------------------|-----------------|--------------------------------|--------------------------------|
| <b>REVENUES:</b>  |                  |                              |                 |                                |                                |
| Taxes:  |                  |                              |                 |                                |                                |
| Sales Tax   | \$ 38,597        | \$ -                         | \$ -            | \$ -                           | 38,597                         |
| Cigar Tax   | 461              | -                            | -               | -                              | 461                            |
| Franchise Tax   | 5,737            | -                            | -               | -                              | 5,737                          |
| Intergovernmental:                                      |                  |                              |                 |                                |                                |
| Motor Vehicle Tax                                       | -                | -                            | -               | 2,138                          | 2,138                          |
| Alcoholic Beverage Tax                                  | 4,977            | -                            | -               | -                              | 4,977                          |
| Gasoline Excise Tax                                     | -                | -                            | -               | 555                            | 555                            |
| Grants  | 1,283            | 10,867                       | -               | -                              | 12,150                         |
| Fines & Forfeitures                                     | -                | -                            | 11,581          | -                              | 11,581                         |
| Licenses & Permits                                      | 50               | -                            | -               | -                              | 50                             |
| Miscellaneous Income                                    | 86               | 4,031                        | 400             | 2,200                          | 6,717                          |
| Interest Income   | 148              | 15                           | -               | -                              | 163                            |
| <b>TOTAL REVENUES</b>                                   | <b>51,338</b>    | <b>14,913</b>                | <b>11,981</b>   | <b>4,894</b>                   | <b>83,126</b>                  |
| <b>EXPENDITURES:</b>                                    |                  |                              |                 |                                |                                |
| General Government                                      | 37,539           | 18,097                       | -               | 1,208                          | 56,845                         |
| Public Safety   | -                | -                            | 18,912          | 828                            | 19,740                         |
| Highways & Streets                                      | -                | -                            | -               | 2,849                          | 2,849                          |
| Debt Service  | -                | -                            | -               | -                              | -                              |
| Capital Outlay  | -                | -                            | -               | -                              | -                              |
| <b>TOTAL EXPENDITURES</b>                               | <b>37,539</b>    | <b>18,097</b>                | <b>18,912</b>   | <b>4,885</b>                   | <b>79,434</b>                  |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>13,799</b>    | <b>(3,185)</b>               | <b>(6,931)</b>  | <b>9</b>                       | <b>3,692</b>                   |
| <b>OTHER FINANCING SOURCES (USES):</b>                  |                  |                              |                 |                                |                                |
| Operating Transfers In                                  | 6,425            | -                            | -               | -                              | 6,425                          |
| Operating Transfers Out                                 | (9,442)          | -                            | -               | -                              | (9,442)                        |
| Capital Debt Proceeds                                   | -                | -                            | -               | -                              | -                              |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>             | <b>(3,017)</b>   | <b>-</b>                     | <b>-</b>        | <b>-</b>                       | <b>(3,017)</b>                 |
| <b>NET CHANGES IN FUND BALANCES</b>                     | <b>10,782</b>    | <b>(3,185)</b>               | <b>(6,931)</b>  | <b>9</b>                       | <b>675</b>                     |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                 | <b>54,921</b>    | <b>10,442</b>                | <b>7,669</b>    | <b>7,035</b>                   | <b>80,066</b>                  |
| <b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>             | <b>-</b>         | <b>79</b>                    | <b>-</b>        | <b>-</b>                       | <b>79</b>                      |
| <b>FUND BALANCE - END OF YEAR</b>                       | <b>\$ 65,702</b> | <b>\$ 7,336</b>              | <b>\$ 738</b>   | <b>\$ 7,044</b>                | <b>80,820</b>                  |

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

**TOWN OF HAWORTH, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds \$ 675

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 -

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 the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of assets. Thus the change in net position differs from the change in fund balance by the basis of the asset sold:  
 Adjusted Basis of Asset Sold -

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 -  
 Depreciation expense (49,346)

Change in Net Position of Governmental Activities \$ (48,671)

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

**TOWN OF HAWORTH, OKLAHOMA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2016**

|   | Haworth Public<br>Works Authority<br>Enterprise Fund |                            |
|---|--|----------------------------|
|   | June 30, 2016  | Memo Only<br>June 30, 2015 |
| <b><u>ASSETS</u></b>                                  |  |                            |
| <b>Current Assets:</b>                                |  |                            |
| Cash and cash equivalents                             | \$ 47,241  | \$ 50,724                  |
| Accounts Receivable                                   | -  | -                          |
| <b>Total Current Assets</b>                           | <b>47,241</b>  | <b>50,724</b>              |
| <b>Noncurrent Assets:</b>                             |  |                            |
| Restricted cash and investments                       | 29,248   | 28,546                     |
| Land  | 42,950   | 42,950                     |
| Other capital assets, net of accumulated depreciation | 922,827  | 956,096                    |
| <b>Total Noncurrent Assets</b>                        | <b>995,024</b>                                       | <b>1,027,592</b>           |
| <b>TOTAL ASSETS</b>                                   | <b>1,042,266</b>                                     | <b>1,078,316</b>           |
| <b><u>LIABILITIES &amp; FUND EQUITY</u></b>           |  |                            |
| <b>Current Liabilities:</b>                           |  |                            |
| Current Portion of Long-Term Debt                     | 5,435  | 5,262                      |
| Customer Deposits                                     | 12,517   | 11,812                     |
| <b>Total Current Liabilities</b>                      | <b>17,952</b>  | <b>17,074</b>              |
| <b>Noncurrent Liabilities:</b>                        |  |                            |
| Notes Payable - USDA RD                               | 226,256  | 231,517                    |
| Less: Current Portion of Long-Term Debt               | (5,435)  | (5,262)                    |
| <b>Total Noncurrent Liabilities</b>                   | <b>220,821</b>                                       | <b>226,255</b>             |
| <b>TOTAL LIABILITIES</b>                              | <b>238,773</b>                                       | <b>243,329</b>             |
| <b>NET POSITION:</b>                                  |  |                            |
| Net investment in capital assets                      | 739,521  | 767,528                    |
| Restricted for debt service                           | 14,345   | 13,643                     |
| Unrestricted  | 49,627   | 53,815                     |
| <b>TOTAL NET POSITION</b>                             | <b>\$ 803,493</b>                                    | <b>\$ 834,986</b>          |

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

**TOWN OF HAWORTH, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Haworth Public  
Works Authority  
Enterprise Fund**

|   | <u>June 30, 2016</u> | <u>Memo Only<br/>June 30, 2015</u> |
|---|----------------------|------------------------------------|
| <b><u>OPERATING REVENUES:</u></b>                             |                      |                                    |
| Charges for services:   |                      |                                    |
| Water   | \$ 53,360            | \$ 53,553                          |
| Sewer   | 28,839               | 29,267                             |
| Sanitation  | 4,084                | 4,071                              |
| Volunteer Fire Department                                     | 1,334                | 1,352                              |
| Late/connect/reconnect fees                                   | 4,955                | 3,582                              |
| Miscellaneous Income  | 1,058                | 12,792                             |
| <b>TOTAL OPERATING REVENUES</b>                               | <u>93,630</u>        | <u>104,616</u>                     |
| <b><u>OPERATING EXPENSES:</u></b>                             |                      |                                    |
| Water Purchases   | 22,495               | 22,505                             |
| Personal Services - Water                                     | 26,570               | 21,735                             |
| Personal Services - Sewer                                     | 5,000                | 5,000                              |
| Maintenance & Operations - Water                              | 25,433               | 33,773                             |
| Maintenance & Operations - Sewer                              | 8,000                | 8,000                              |
| Depreciation  | 33,269               | 33,269                             |
| <b>TOTAL OPERATING EXPENSES</b>                               | <u>120,766</u>       | <u>124,282</u>                     |
| <b>NET OPERATING INCOME (LOSS)</b>                            | <u>(27,137)</u>      | <u>(19,666)</u>                    |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                      |                      |                                    |
| Interest Income   | 211                  | 176                                |
| Interest Expense  | (7,447)              | (8,349)                            |
| <b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>                | <u>(7,235)</u>       | <u>(8,173)</u>                     |
| <b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b> | <u>(34,372)</u>      | <u>(27,839)</u>                    |
| Capital Contributions   | -                    | -                                  |
| Transfers in  | 9,442                | 9,123                              |
| Transfers out   | (6,425)              | (4,715)                            |
| <b>CHANGE IN NET POSITION</b>                                 | <u>(31,355)</u>      | <u>(23,430)</u>                    |
| <b>TOTAL NET POSITION - BEGINNING</b>                         | 834,986              | 858,417                            |
| <b>TOTAL NET POSITION - PRIOR YEAR ADJUSTMENT</b>             | <u>(138)</u>         | <u>-</u>                           |
| <b>TOTAL NET POSITION - ENDING</b>                            | <u>\$ 803,493</u>    | <u>\$ 834,986</u>                  |

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

EXHIBIT G

TOWN OF HAWORTH, OKLAHOMA  
 STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
 PROPRIETARY FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|  | 2016             | Memo Only<br>2015 |
|--|------------------|-------------------|
| <b><u>Cash Flows from Operating Activities:</u></b>  |                  |                   |
| Cash Receipts from Customers   | \$ 93,630        | \$ 104,616        |
| Payments to Suppliers, Employees & Laborers  | (87,497)         | (91,013)          |
| Receipts of Customer Utility Deposits, Net of Refunds  | 705              | (309)             |
| Net Cash Provided (Used) by Operating Activities   | <u>6,837</u>     | <u>13,295</u>     |
| <b><u>Cash Flows from Non-Capital Financing Activities:</u></b>                                      |                  |                   |
| Operating Transfers in   | 9,442            | 9,123             |
| Operating Transfers Out  | (6,425)          | (4,715)           |
| Net Cash Provided (Used) by Non-Capital Financing Activities   | <u>3,017</u>     | <u>4,409</u>      |
| <b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>                            |                  |                   |
| Additions to Capital Assets  | -                | -                 |
| Capital Contributions  | -                | -                 |
| Loan Proceeds received   | -                | -                 |
| Principal paid on Notes  | (5,261)          | (13,791)          |
| Interest paid on Notes   | (7,447)          | (8,349)           |
| Net Cash Provided (Used) by Capital & Related Financing Activities                                   | <u>(12,708)</u>  | <u>(22,140)</u>   |
| <b><u>Cash Flows from Investing Activities:</u></b>  |                  |                   |
| Interest Income  | 211              | 176               |
| Net Cash Provided (Used) by Investing Activities   | <u>211</u>       | <u>176</u>        |
| Net Increase (Decrease) in Cash and Cash Equivalents   | (2,643)          | (4,261)           |
| Cash & Cash Equivalents, Beginning of Year   | 79,270           | 83,531            |
| Cash & Cash Equivalents, Prior Year Adjustment   | (138)            | -                 |
| Cash & Cash Equivalents, End of Year   | <u>\$ 76,489</u> | <u>\$ 79,270</u>  |
| <b><u>Reconciliation of operating income (loss) to net cash provided</u></b>                         |                  |                   |
| <b><u>operating activities:</u></b>  |                  |                   |
| Operating Income (Loss)  | \$ (27,137)      | \$ (19,666)       |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities |                  |                   |
| Depreciation Expense   | 33,269           | 33,269            |
| (Increase)Decrease in Accounts Receivable  | -                | -                 |
| Increase(Decrease) in Accounts Payable   | -                | -                 |
| Increase(Decrease) in Customer Deposits  | 705              | (309)             |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ 6,837</u>  | <u>\$ 13,295</u>  |

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

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

The Town's financial reporting entity is comprised of the following:

|                          |  |
|--------------------------|--|
| Primary Government:      | Town of Haworth                          |
| Blended Component Units: | Haworth Public Works Authority<br>(HPWA) |

PRIMARY GOVERNMENT

The Town of Haworth, Oklahoma is a "Statutory Town Government" under Title 11 of the Oklahoma Statutes.

The Town provides the following services: public safety (fire and police), streets and highways, public improvements, planning and zoning and general administrative services. The Haworth Public Works Authority (Enterprise Fund) provides water, sewer and sanitation services. The Haworth Public Works Authority (the PWA) is a public trust created under the authority of Title 60 Oklahoma Statutes.

BLENDED COMPONENT UNITS

A blended component unit is a separate legal entity for which the elected officials of the primary government are financially accountable and that meets the blended component unit criteria. A blended component unit meets at least one of the following criteria: (a) the blended component unit's governing body is the same or substantially the same as the Town Council, and there is a financial benefit or burden relationship with the Town, or Town management has operational responsibility for the component unit;

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(b) the component unit provides services entirely or almost entirely to the Town; or (c) the component unit's debt is expected to be repaid entirely or almost entirely with resources of the Town. The blended component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. Based on the foregoing criteria, the financial statements of the following component units are blended into the accompanying financial statements: Haworth Public Works Authority. The HPWA is a separate legal entity from the Town, and is not governed by the same constitutional and statutory requirements applicable to the Town. However, for financial reporting purposes the Authority reports revenues, expenditures and related assets and obligations using the same basis of accounting as the Town.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund types and two generic categories as follows:

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

Governmental Fund Types

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds.

| <u>Fund</u>               | <u>Brief Description</u>  |
|---------------------------|---|
| Street & Alley Fund       | Accounts for gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements. |
| Sr. Citizens Fund         | Accounts for revenues and expenditures of various nutrition grants per grant agreement requirements.            |
| Police Dept. Fund         | Accounts for revenues and expenditures of police operations.  |
| Volunteer Fire Dept. Fund | Accounts for revenues and expenditures of Fire Department activities.   |
| Cemetery Fund             | Accounts for cemetery revenues that are legally restricted for cemetery use.                                    |

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

|                       |   |
|-----------------------|---|
| Special Projects Fund | Accounts for revenues and expenditures of a State Department of Commerce Grant per the grant agreement. |
|-----------------------|---|

Proprietary Fund Types

Enterprise Funds

Enterprise funds are used to account for the acquisition, operation and maintenance of Town facilities which are financed primarily by user charges. The Enterprise funds are accounted for similar to activities of the private sector. The measurement focus is upon determination of net income, financial position and changes in financial position. The Haworth Public Works Authority is accounted for as the Town's Enterprise Fund.

|                                |  |
|--------------------------------|--|
| Haworth Public Works Authority | Accounts for the activities of the public trust in providing water, sewer and sanitation services to the public. |
|--------------------------------|--|

**B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

Measurement Focus

In the government-wide State of Net Position and Statement of Activities, both governmental and business-like activities are presented used the economic resources measurement focus, within the limitations of the modified cash basis of accounting, subsequently defined in item (b).

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

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determinations of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

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

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

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

C. FINANCIAL POSITION

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

RESTRICTED ASSETS

Under the terms of the loan agreement with USDA Rural Development, the Haworth Public Works Authority must maintain certain "funds" in restricted accounts. These are not funds in the sense of fiscal and accounting entities with self-balancing sets of accounts, they merely represent mandatory asset segregation.

BUDGET

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

CAPITAL ASSETS

The capitalization threshold has been set at \$500.00. Assets purchased by the Town or PWA are recorded as assets at cost or if contributed property at the estimated fair market value at the time of contribution. Repairs and maintenance cost are recorded as expenses. The sale or disposition of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Assets are depreciated over their useful lives of 5 to 50 years using the straight-line method.

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

COMPENSATED ABSENCES AND FRINGE BENEFITS

Governmental Generally Accepted Accounting Principles require the recording of an expenditure and the accrual of a liability for future vacation, sick pay, and other leave benefits for employee services already rendered, related to rights that vest, if the payment of compensation is probable and the amount of benefits can be reasonably estimated.

The Town's financial statements have been prepared on the modified cash basis and benefit cost (if any) are recognized when the benefits are paid. An accrued liability for benefits has not been recognized or reported in the financial statements.

EQUITY CLASSIFICATION

Equity is classified as net position 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 amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

Fund Balance

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.

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

The purposes of each major special revenue fund and revenue source is listed below:

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

| <u>Major Special Revenue Fund</u> | <u>Revenue Source</u>                |
|-----------------------------------|--------------------------------------|
| Senior Citizens                   | Grant Income<br>Donations            |
| Police Department                 | Fine and forfeitures<br>Grant Income |

REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The Town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission.

Property Tax

For the year ended June 30, 2016, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Enterprise Fund Revenues

Revenues consist of sales of water, sewer, and sanitation services to individuals, business owners, and others within the Town corporate limits and nearby area.

ESTIMATES

The preparation of financial statements, in conformity with the modified cash basis of accounting, 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.

MEMORANDUM ONLY

The "Memorandum Only" captions above the total columns mean that totals are presented for overview information purposes only.

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the Authority for this fiscal year.

Excess of Expenditures Over Appropriations

The Town's total charges to appropriations did not exceed budgeted amounts.

NOTE 3 - DEPOSITS, INVESTMENTS AND COLLATERAL

Custodial Credit Risk

At June 30, 2016, the Town held deposits of approximately \$157,305 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.

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

- 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 Town 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 Town.
- 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.).

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the Governmental Fund Type, resulting from the modified cash transactions, for the fiscal year ended June 30, 2016, was as follows:

Governmental Activities:

|   | Balance<br>7/1/15 | Additions          | Deductions  | Balance<br>6/30/16 |
|---|-------------------|--------------------|-------------|--------------------|
| Buildings   | \$ 487,536        | \$ -               | \$ -        | \$ 487,536         |
| Improvements  | 2,800             | -                  | -           | 2,800              |
| Machinery & Equipment                                     | 484,369           | -                  | -           | 484,369            |
| Total capital assets at cost                              | <u>974,705</u>    | <u>-</u>           | <u>-</u>    | <u>974,705</u>     |
| Less: Accum. Depreciation for:                            |                   |                    |             |                    |
| Buildings   | 292,522           | 24,377             | -           | 316,899            |
| Improvements  | 2,800             | -                  | -           | 2,800              |
| Machinery & Equipment                                     | 243,313           | 24,970             | -           | 268,283            |
| Total Accumulated Depreciation<br>Governmental Activities | <u>538,635</u>    | <u>49,346</u>      | <u>-</u>    | <u>587,981</u>     |
| Capital Assets, Net                                       | <u>\$ 436,070</u> | <u>\$ (49,346)</u> | <u>\$ -</u> | <u>\$ 386,724</u>  |

Capital asset activity for the Proprietary Fund Type, resulting from the modified cash basis transactions, for the fiscal year ended June 30, 2016, was as follows:

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

Business-type Activities:

|  | Balance<br>7/1/15 | Additions          | Deductions  | Balance<br>6/30/16 |
|--|-------------------|--------------------|-------------|--------------------|
| Capital assets not being depreciated:        |                   |                    |             |                    |
| Land   | \$ 42,950         | \$ -               | \$ -        | \$ 42,950          |
| Construction in progress                     | -                 | -                  | -           | -                  |
| Total capital assets not being depreciated   | <u>42,950</u>     | <u>-</u>           | <u>-</u>    | <u>42,950</u>      |
| Other capital assets:                        |                   |                    |             |                    |
| Utility property & improvements              | 816,310           | -                  | -           | 816,310            |
| Lagoon                                       | 816,692           | -                  | -           | 816,692            |
| Vehicles                                     | 14,000            | -                  | -           | 14,000             |
| Machinery & Equipment                        | 6,022             | -                  | -           | 6,022              |
| Total depreciable capital assets             | <u>1,653,025</u>  | <u>-</u>           | <u>-</u>    | <u>1,653,025</u>   |
| Less: Accum. Depreciation for:               |                   |                    |             |                    |
| Utility property & improvements              | 506,808           | 16,685             | -           | 523,493            |
| Lagoon                                       | 171,224           | 16,334             | -           | 187,557            |
| Vehicles                                     | 14,000            | -                  | -           | 14,000             |
| Machinery & Equipment                        | 4,897             | 250                | -           | 5,147              |
| Total Accumulated Depreciation               | <u>696,929</u>    | <u>33,269</u>      | <u>-</u>    | <u>730,198</u>     |
| Business-Type Activities Capital Assets, Net | <u>\$ 999,046</u> | <u>\$ (33,269)</u> | <u>\$ -</u> | <u>\$ 965,777</u>  |

Depreciation expense for the year ended June 30, 2016, aggregating \$33,269, has been computed on assets with a cost basis totaling \$1,653,025. There were no current year additions.

NOTE 5 - LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES

The governmental funds currently have no long-term debt.

Changes in Long-Term Debt

The following is a summary of changes in capital debt obligations for the year ended June 30, 2016:

|                 | Balance at<br>June 30, 2015 | Additions   | Deductions  | Balance at<br>June 30, 2016 |
|-----------------|-----------------------------|-------------|-------------|-----------------------------|
| Note Payable    | \$ -                        | \$ -        | \$ -        | \$ -                        |
| Total Long-Term | <u>\$ -</u>                 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u>                 |

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2016, are as follows:

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

| Year Ended<br>June 30, | Principal   | Interest    | Annual<br>Payment |
|------------------------|-------------|-------------|-------------------|
| 2017                   | \$ -        | \$ -        | \$ -              |
| 2018                   | -           | -           | -                 |
| 2019                   | -           | -           | -                 |
| 2020                   | -           | -           | -                 |
| 2021                   | -           | -           | -                 |
| 2022-2026              | -           | -           | -                 |
| Total                  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u>       |

BUSINESS-TYPE ACTIVITIES

ENTERPRISE FUND - HAWORTH PUBLIC WORKS AUTHORITY

The Authority has a note payable (Note 92-02) dated September 30, 1991 to the United States Department of Agriculture Rural Development (USDA), payable in monthly installments of \$786 until maturity, including interest at 5.0%. The original amount of the loan was \$160,000.00. The note is secured by a mortgage on the Authority's sewer system including all real and personal property and including the revenues and profits from the operations of the system. This note was paid off during the current year.

The Authority has a note payable (Note 92-03) dated December 15, 1999 to the United States Department of Agriculture Rural Development (USDA), payable in monthly installments of \$1,059 until maturity, including interest at 3.25%. The original amount of the loan was \$280,000.00. The note is secured by a mortgage on the Authority's sewer system including all real and personal property and including the revenues and profits from the operations of the system.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

|                         | Balance at<br>June 30, 2015 | Additions   | Deductions           | Balance at<br>June 30, 2016 |
|-------------------------|-----------------------------|-------------|----------------------|-----------------------------|
| USDA RD Note 92-03      | \$ 231,517.44               | \$ -        | \$ (5,261.28)        | \$ 226,256.16               |
| Total Long-Term<br>Debt | <u>\$ 231,517.44</u>        | <u>\$ -</u> | <u>\$ (5,261.28)</u> | <u>\$ 226,256.16</u>        |

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2016, are as follows:

| USDA RD Note 92-03     |            |            |                   |
|------------------------|------------|------------|-------------------|
| Year Ended<br>June 30, | Principal  | Interest   | Annual<br>Payment |
| 2017                   | \$ 5,435   | \$ 7,273   | 12,708            |
| 2018                   | 5,615      | 7,093      | 12,708            |
| 2019                   | 5,800      | 6,908      | 12,708            |
| 2020                   | 5,991      | 6,717      | 12,708            |
| 2021                   | 6,189      | 6,519      | 12,708            |
| 2022-2026              | 34,144     | 29,396     | 63,540            |
| 2027-2031              | 40,160     | 23,380     | 63,540            |
| 2032-2036              | 47,235     | 16,305     | 63,540            |
| 2037-2041              | 55,558     | 7,982      | 63,540            |
| 2042-2043              | 20,130     | 563        | 20,693            |
| Total                  | \$ 226,256 | \$ 112,137 | \$ 338,393        |

NOTE 6 - INTERFUND TRANSFERS

The interfund transactions for the year were as follows:

|                                 | Transfers Out | Transfers In |
|---------------------------------|---------------|--------------|
| General Fund:                   |               |              |
| Special Revenue                 | -             | -            |
| Haworth PWA                     | 9,442         | 6,425        |
| Haworth Public Works Authority: |               |              |
| General Fund                    | 6,425         | 9,442        |
| Special Revenue Fund            | -             | -            |
| Special Revenue:                |               |              |
| General Fund                    | -             | -            |
| Haworth Public Works Authority  | -             | -            |
| Total All Funds                 | 15,867        | 15,867       |

NOTE 7 - 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 HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

The restricted amounts are described in Note 1 above.

Fund Balances

Town of Haworth  
Disclosure of Fund Balances Reported on Balance Sheet  
For Fiscal Year Ending June 30, 2016

|                       | General<br>Fund  | Senior<br>Citizens<br>Center | Police<br>Dept. | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------|------------------|------------------------------|-----------------|--------------------------------|--------------------------------|
| <b>FUND BALANCES:</b> |                  |                              |                 |                                |                                |
| Restricted for:       |                  |                              |                 |                                |                                |
| Road Maintenance      | \$ -             | \$ -                         | \$ -            | \$ 4,489                       | \$ 4,489                       |
| Assigned to:          |                  |                              |                 |                                |                                |
| Senior Citizens       | -                | 7,336                        | -               | -                              | 7,336                          |
| Police Fund           | -                | -                            | 738             | -                              | 738                            |
| CDBG Fund             | -                | -                            | -               | 142                            | 142                            |
| Fire Dept Fund        | -                | -                            | -               | 2,065                          | 2,065                          |
| Cemetery Fund         | -                | -                            | -               | 348                            | 348                            |
| Unassigned            | 65,702           | -                            | -               | -                              | 65,702                         |
| <b>Total</b>          | <b>\$ 65,702</b> | <b>\$ 7,336</b>              | <b>\$ 738</b>   | <b>\$ 7,044</b>                | <b>\$ 80,820</b>               |

NOTE 8 - COMMITMENTS AND CONTINGENCIES

GRANT PROGRAMS

The Town participates in certain federal and state grant programs as available; currently the town is not participating in any ongoing programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. The amount of expenditures that may be disallowed by the granting agency cannot be determined at this time, although it is believed by the Town that the amount, if any, would not be significant.

LITIGATION

The Town has no known pending claims or lawsuits against it as of June 30, 2016. In the event that the Town is held liable for damages in any lawsuits that arise, the resulting judgments will be paid from ad valorem taxes levied over a three (3) year period through the Town's Debt Service Fund.

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 9 - PENSION PLAN PARTICIPATION

OKLAHOMA FIREFIGHTER'S PENSION AND RETIREMENT SYSTEM (OFPRS):

Description of the Plan

Only the Town's volunteer firemen are covered by a pension plan. This noncontributory plan is operated and administered by the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The Oklahoma Firefighter's Pension and Retirement issues a publicly available financial report that includes financial statements and required supplementary fund information for the fund. That report may be obtained by writing to Oklahoma Firefighter's Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105-3414 or by calling 1-800-525-7461.

Funding Policy

The Town is required to make annual contributions of \$60.00 per active volunteer fireman to OFPRS. This contribution covers a portion of the cost of benefits that will be paid to vested volunteer firemen. Additional funding comes from a percentage on all taxes collected on premiums collected by insurance companies and appropriation by the State of Oklahoma.

The OFPRS contributions are as follows:

| <u>Fiscal Year</u> | <u>Required<br/>Contribution</u> | <u>Amount<br/>Contributed</u> |
|--------------------|----------------------------------|-------------------------------|
| 2014               | \$1,200                          | \$1,200                       |
| 2015               | \$1,200                          | \$1,200                       |
| 2016               | \$1,500                          | \$1,500                       |

NOTE 10 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through August 31, 2016, 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, 2016.

TOWN OF HAWORTH, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|   | Budgeted Amounts |                | Actual<br>Amounts | Variance with<br>Final Budget |
|---|------------------|----------------|-------------------|-------------------------------|
|   | Original         | Final          |                   | Positive (Negative)           |
| Beginning Budgetary Fund Balance:                   | \$ 54,921        | \$ 54,921      | \$ 54,921         | \$ -                          |
| <b><u>Resources (Inflows):</u></b>                  |                  |                |                   |                               |
| Taxes:  |                  |                |                   |                               |
| Sales Tax   | 31,222           | 31,222         | 38,597            | 7,375                         |
| Cigar Tax   | 363              | 363            | 461               | 97                            |
| Franchise Tax                                       | 10,730           | 10,730         | 5,737             | (4,993)                       |
| Intergovernmental:                                  |                  |                |                   |                               |
| Motor Vehicle Tax                                   | -                | -              | -                 | -                             |
| Alcoholic Beverage Tax                              | 4,543            | 4,543          | 4,977             | 434                           |
| Gasoline Excise Tax                                 | -                | -              | -                 | -                             |
| Grants  | -                | -              | 1,283             | 1,283                         |
| Fines & Forfeitures                                 | -                | -              | -                 | -                             |
| Licenses & Permits                                  | 60               | 60             | 50                | (10)                          |
| Miscellaneous Income                                | 1,442            | 1,442          | 86                | (1,356)                       |
| Interest Income                                     | 54               | 54             | 148               | 94                            |
| Operating Transfers In                              | 4,064            | 4,064          | 6,425             | 2,361                         |
| Amounts available for appropriation                 | <u>107,399</u>   | <u>107,399</u> | <u>112,683</u>    | <u>5,284</u>                  |
| <b><u>Charges to Appropriations (Outflows):</u></b> |                  |                |                   |                               |
| General Government                                  | 82,399           | 82,399         | 37,539            | 44,860                        |
| Public Safety                                       | -                | -              | -                 | -                             |
| Highways & Streets                                  | -                | -              | -                 | -                             |
| Debt Service  | -                | -              | -                 | -                             |
| Capital Outlay                                      | 10,000           | 10,000         | -                 | 10,000                        |
| Operating Transfers Out                             | 15,000           | 15,000         | 9,442             | 5,558                         |
| Total Charges to Appropriations                     | <u>107,399</u>   | <u>107,399</u> | <u>46,981</u>     | <u>60,418</u>                 |
| Prior Year Adjustments to Fund Balance              | -                | -              | -                 | -                             |
| Ending Budgetary Fund Balance                       | <u>-</u>         | <u>-</u>       | <u>65,702</u>     | <u>65,702</u>                 |

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2016

The Town's annual operating budget represents appropriations as authorized by the Board of Trustees and County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The Town's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board of Trustees and County Excise Board. The legal level of control of the budget is the expenditures category within a department

The budget is prepared on the same modified cash basis of accounting as applied to the basic financial statements. Revenues and expenses are reported when they result from cash transactions.

Unaudited

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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 Board of Trustees  
Town of Haworth, 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 modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Haworth, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Haworth, Oklahoma's basic financial statements, and have issued our report thereon dated August 31, 2016.

### Internal Control Over Financial Reporting

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

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weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Item 16-01.

## Compliance and Other Matters

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

## Town of Haworth's Response to Findings

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

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC

August 31, 2016

TOWN OF HAWORTH, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2016

INTERNAL CONTROL FINDINGS

Item 16-01 - 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 organization.

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

**TOWN OF HAWORTH, OKLAHOMA  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016**

|  | Special<br>Projects-<br>CDBG | Cemetery<br>Fund | Volunteer<br>Fire Dept.<br>Fund | Street<br>& Alley<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|------------------------------|------------------|---------------------------------|---------------------------|--|
| <b>ASSETS</b>                              |                              |                  |                                 |                           |  |
| Cash and cash equivalents                  | \$ 142                       | \$ 348           | \$ 2,065                        | \$ 4,489                  | \$ 7,044                                   |
| Investments                                | -                            | -                | -                               | -                         | -  |
| <b>TOTAL ASSETS</b>                        | <b>\$ 142</b>                | <b>\$ 348</b>    | <b>\$ 2,065</b>                 | <b>\$ 4,489</b>           | <b>\$ 7,044</b>                            |
| <b>LIABILITIES &amp; FUND EQUITY</b>       |                              |                  |                                 |                           |  |
| <b>LIABILITIES:</b>                        |                              |                  |                                 |                           |  |
| Accounts Payable                           | \$ -                         | \$ -             | \$ -                            | \$ -                      | \$ -                                       |
| <b>TOTAL LIABILITIES</b>                   | <b>-</b>                     | <b>-</b>         | <b>-</b>                        | <b>-</b>                  | <b>-</b>                                   |
| <b>FUND BALANCES:</b>                      |                              |                  |                                 |                           |  |
| Nonspendable                               | -                            | -                | -                               | -                         | -  |
| Restricted                                 | -                            | -                | -                               | 4,489                     | 4,489                                      |
| Committed                                  | -                            | -                | -                               | -                         | -  |
| Assigned                                   | 142                          | 348              | 2,065                           | -                         | 2,555                                      |
| Unassigned                                 | -                            | -                | -                               | -                         | -  |
| <b>TOTAL FUND BALANCES</b>                 | <b>142</b>                   | <b>348</b>       | <b>2,065</b>                    | <b>4,489</b>              | <b>7,044</b>                               |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 142</b>                | <b>\$ 348</b>    | <b>\$ 2,065</b>                 | <b>\$ 4,489</b>           | <b>\$ 7,044</b>                            |

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

**TOWN OF HAWORTH, OKLAHOMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

|   | Special<br>Projects-<br>CDBG | Cemetery<br>Fund | Volunteer<br>Fire Dept.<br>Fund | Street<br>& Alley<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|------------------------------|------------------|---------------------------------|---------------------------|--|
| <b>REVENUES:</b>  |                              |                  |                                 |                           |  |
| Taxes:  |                              |                  |                                 |                           |  |
| Sales Tax   | \$ -                         | \$ -             | \$ -                            | \$ -                      | \$ -                                       |
| Franchise Tax   | -                            | -                | -                               | -                         | -  |
| Intergovernmental:                                      |                              |                  |                                 |                           |  |
| Motor Vehicle Tax                                       | -                            | -                | -                               | 2,138                     | 2,138                                      |
| Gasoline Excise Tax                                     | -                            | -                | -                               | 555                       | 555  |
| Grants  | -                            | -                | -                               | -                         | -  |
| Fines & Forfeitures                                     | -                            | -                | -                               | -                         | -  |
| Miscellaneous Income                                    | -                            | 1,025            | 1,109                           | 66                        | 2,200                                      |
| Interest Income   | -                            | -                | -                               | -                         | -  |
| <b>TOTAL REVENUES</b>                                   | <b>-</b>                     | <b>1,025</b>     | <b>1,109</b>                    | <b>2,760</b>              | <b>4,894</b>                               |
| <b>EXPENDITURES:</b>                                    |                              |                  |                                 |                           |  |
| General Government                                      | -                            | 1,208            | -                               | -                         | 1,208                                      |
| Public Safety   | -                            | -                | 828                             | -                         | 828  |
| Highways & Streets                                      | -                            | -                | -                               | 2,849                     | 2,849                                      |
| Debt Service  | -                            | -                | -                               | -                         | -  |
| Capital Outlay  | -                            | -                | -                               | -                         | -  |
| <b>TOTAL EXPENDITURES</b>                               | <b>-</b>                     | <b>1,208</b>     | <b>828</b>                      | <b>2,849</b>              | <b>4,885</b>                               |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>-</b>                     | <b>(183)</b>     | <b>281</b>                      | <b>(89)</b>               | <b>9</b>                                   |
| <b>OTHER FINANCING SOURCES (USES):</b>                  |                              |                  |                                 |                           |  |
| Operating Transfers In                                  | -                            | -                | -                               | -                         | -  |
| Operating Transfers Out                                 | -                            | -                | -                               | -                         | -  |
| Capital Debt Proceeds                                   | -                            | -                | -                               | -                         | -  |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>             | <b>-</b>                     | <b>-</b>         | <b>-</b>                        | <b>-</b>                  | <b>-</b>                                   |
| <b>NET CHANGES IN FUND BALANCES</b>                     | <b>-</b>                     | <b>(183)</b>     | <b>281</b>                      | <b>(89)</b>               | <b>9</b>                                   |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                 | <b>142</b>                   | <b>531</b>       | <b>1,784</b>                    | <b>4,578</b>              | <b>7,035</b>                               |
| <b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>             | <b>-</b>                     | <b>-</b>         | <b>-</b>                        | <b>-</b>                  | <b>-</b>                                   |
| <b>FUND BALANCE - END OF YEAR</b>                       | <b>\$ 142</b>                | <b>\$ 348</b>    | <b>\$ 2,065</b>                 | <b>\$ 4,489</b>           | <b>\$ 7,044</b>                            |

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