

TOWN OF ALDERSON, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

Ralph Osborn
Certified Public Accountant
709 S Roland, Suite B
P.O. Box 1015
Bristow, Oklahoma 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Town of Alderson, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Alderson, Oklahoma as of and for the year ended June 30, 2010, which collectively comprise the Town of Alderson, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Alderson, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Town of Alderson, Oklahoma as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, in conformity with accounting principles generally accepted in the United States of America.

The Town of Alderson, Oklahoma has not presented Management's Discussion and Analysis or General Fund budgetary comparison that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 11, 2011, on my consideration of Town of Alderson, Oklahoma's internal control over financial reporting and on my 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 accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
July 11, 2011

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 415,195	\$ -	\$ 415,195
Restricted assets:			
Cash and cash equivalents	19,553	20,834	40,387
Accounts receivable, net	31,791	-	31,791
Accrued interest receivable	855	-	855
Due from other funds	49,782	-	49,782
Total current assets	517,176	20,834	538,010
Non-current assets:			
Capital assets			
Land	-	5,000	5,000
Construction in Progress	-	242,602	242,602
Other capital assets net of accumulated depreciation	133,843	34,880	168,723
Total non-current assets	133,843	282,482	416,325
Total assets	651,019	303,316	954,335
LIABILITIES			
Current liabilities:			
Accounts payable	4,779	-	4,779
Due to other funds	-	49,782	49,782
Total current liabilities	4,779	49,782	54,561
Non-current liabilities:			
Note payable, non-current	-	242,602	242,602
Total non-current liabilities	-	242,602	242,602
Total liabilities	4,779	292,384	297,163
NET ASSETS			
Nonspendable	211,492	(9,902)	201,590
Assigned	26,408	20,834	47,242
Unassigned	408,340	-	408,340
Total net assets	\$ 646,240	\$ 10,932	\$ 657,172

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

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Program Revenue</u>			Net (Expenses) Revenue
	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Expenses</u>				
Function/Programs				
Governmental activities				
Administration	32,776	-	-	(32,776)
Community services	938	-	-	(7,417)
Public Safety	<u>6,502</u>	-	-	<u>(6,502)</u>
Total governmental activities	<u>40,216</u>	-	-	<u>(40,216)</u>
Business-type activities				
Public Works	<u>22</u>	-	-	<u>(22)</u>
Total business-type activities	<u>22</u>	-	-	<u>(22)</u>
Total primary government	<u>\$ 40,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,238)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	\$ (40,216)	\$ (22)	\$ (40,238)
General revenues			
Taxes			
Sales and use taxes	93,234	-	93,234
Franchise	7,708	-	7,708
Cigarette	904	-	904
Alcohol taxes	1,652	-	1,652
Auto & gas taxes	1,899	-	1,899
Miscellaneous	5,621	-	5,621
Interest	<u>4,035</u>	<u>4</u>	<u>4,039</u>
Total general revenue	<u>115,053</u>	<u>4</u>	<u>115,057</u>
Change in net assets	74,837	(18)	74,819
Net assets - beginning	<u>571,403</u>	<u>10,950</u>	<u>582,353</u>
Net assets - ending	<u>\$ 646,240</u>	<u>\$ 10,932</u>	<u>\$ 657,172</u>

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

TOWN OF ALDERSON, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 427,893	\$ 6,855	\$ 434,748
Taxes receivable	31,511	280	31,791
Accrued interest receivable	855	-	855
Due from other funds	<u>49,782</u>	<u>-</u>	<u>49,782</u>
TOTAL ASSETS	<u>\$ 510,041</u>	<u>\$ 7,135</u>	<u>\$ 517,176</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 4,711	\$ 68	\$ 4,779
TOTAL LIABILITIES	<u>4,711</u>	<u>\$ 68</u>	<u>4,779</u>
FUND BALANCES			
Nonspendable	77,437	212	77,649
Assigned	19,553	6,855	26,408
Unassigned	<u>408,340</u>	<u>-</u>	<u>408,340</u>
TOTAL FUND BALANCES	<u>505,330</u>	<u>7,067</u>	512,397
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 510,041</u>	<u>\$ 7,135</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund, net of accumulated depreciation	<u>133,843</u>
Net assets of governmental activities	<u>\$ 646,240</u>

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

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Total Governmental Funds</u>
Revenue			
Taxes	\$ 103,498	\$ 1,899	\$ 105,397
Interest	4,035	-	4,035
Miscellaneous	<u>5,460</u>	<u>161</u>	<u>5,621</u>
Total revenue	<u>112,993</u>	<u>2,060</u>	<u>115,053</u>
Expenditures			
Administration	29,411	-	29,411
Community service	-	938	938
Public Safety	3,745	-	3,745
Capital outlay	<u>34,603</u>	<u> </u>	<u>34,603</u>
Total expenditures	<u>67,759</u>	<u>938</u>	<u>68,697</u>
Net changes in fund balance	45,234	1,122	46,356
Fund balances, beginning (restated)	<u>460,096</u>	<u>5,945</u>	<u>466,041</u>
Fund balances, ending	<u>\$ 505,330</u>	<u>\$ 7,067</u>	<u>\$ 512,397</u>

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

TOWN OF ALDERSON, OKLAHOMA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010

Net changes in fund balances - total governmental funds \$ 46,356

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those cost are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(6,122)	
Capital outlay	<u>34,603</u>	<u>28,481</u>

Change in net assets \$ 74,837

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

TOWN OF ALDERSON, OKLAHOMA
 STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
 JUNE 30, 2010

	<u>Public Works</u>
ASSETS	
Current Assets:	
Cash and cash equivalent	\$ 20,834
Total current assets	<u>20,834</u>
Non-current Assets	
Capital assets:	
Land	5,000
Construction in progress	242,602
Capital assets, net of accumulated depreciation	<u>34,880</u>
Total non-current assets	<u>282,482</u>
Total assets	<u>303,316</u>
LIABILITIES	
Current liabilities:	
Due to other funds	<u>49,782</u>
Total current liabilities	<u>49,782</u>
Noncurrent liabilities:	
Notes payable, non-current	<u>242,602</u>
Total noncurrent liabilities	<u>242,602</u>
Total liabilities	<u>292,384</u>
NET ASSETS	
Nonspendable	(9,902)
Assigned	20,834
Unassigned	<u>-</u>
Net assets of business-type activities	<u>\$ 10,932</u>

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

TOWN OF ALDERSON, OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Wastewater charges	\$ -
Other	-
	-
Total operating revenues	-
<u>OPERATING EXPENSES</u>	
Personal services	-
Contract Labor	-
Telephone and utility	-
Chemicals	-
Repair and maintenance	-
Supplies	-
Bank charges	13
Office supplies	9
Lab and testing	-
Miscellaneous	-
Depreciation	-
	-
Total operating expenses	22
Operating income (loss)	(22)
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	4
Interest on notes payable	-
	-
Total non-operating revenue (expenses)	4
Change in net assets of business type activities	(18)
Total net assets, beginning	10,950
Total net assets, ending	\$ 10,932

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

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ -
Cash payments to employees	-
Cash payments to suppliers for goods and services	<u>(22)</u>
Net cash provided (used) by operating activities	<u>(22)</u>
Cash flows from non-capital financing activities	
Transfer from other funds	<u>20,852</u>
Net cash provided by non-capital financing activities	<u>20,852</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	(242,602)
Proceeds from debt Rural Development	242,602
Interest paid on notes payable and fiscal fees	-
Principal paid on notes payable	<u>-</u>
Net cash used for capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest revenue	<u>4</u>
Net cash provided by investing activities	<u>4</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents, beginning	<u>-</u>
Cash and cash equivalents, ending	<u>\$ 20,834</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	\$ (22)
Adjustments to reconcile operating income to net cash used by operating activities:	
Changes in assets and liabilities:	
Accrued receivables	-
Accumulated depreciation	-
Accounts payable	-
Utility deposits	<u>-</u>
Net cash provided by operating activities	<u>\$ (22)</u>

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

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Alderson, Oklahoma, was incorporated under the laws of Oklahoma in 1926, for an indefinite existence. The Town's major operations include fire protection, public works and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statement and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Reporting Entity

In evaluating how to define the Town of Alderson, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. The Alderson Public Works Authority is considered a component unit of the Town of Alderson and it has been included in the financial statements.

B. Basis of Presentation - Fund Accounting

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

The individual funds account for the government resources with laws, regulations, or other restrictions. The following funds are used by the Town.

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Governmental Funds:

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

Major Funds:

- General Fund - accounts for general operations of the Town.
- Street & Alley - accounts for motor fuel & vehicle licenses

Proprietary Funds:

The Town's proprietary fund includes the following:

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

C. Cash and Cash Equivalents

For the purpose of the statements of net assets, balance sheet, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less. Certificate of deposits are reported at cost. The Town of Alderson maintains a cash pool that is available for all funds.

D. Inventories

Inventory of supplies is not reported on the financial statements of the Town. The amount of inventory on hand is not material to the financial statements.

E. Capital Assets and Depreciation

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Additions to the Alderson Public Works Authority are recorded at cost, if contributed property, at their estimated fair value at time of contribution. All costs incurred in connection with the acquisition or construction of water or sewer systems and improvements are capitalized. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Depreciation will be calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition.

F. Fund Balances and Net Assets

Fund balances generally reported in the governmental funds financial statements are displayed in two components:

Fund Balance:

- a. Reserved - Consist of fund balances that are either legally restricted as to use (such as voter restricted sales tax), or fund balances that are not available for expenditure in the subsequent year.
- b. Unreserved - All other fund balances not classified as "reserved".

At June 30, 2010, there were no government fund balance reserves.

Net Assets:

Net assets reported in the government-wide and proprietary fund financial statement are displayed in three components:

- a. Nonspendable - Consists of amounts that cannot be spent due to form; for example, inventories, prepaid amounts, long-term loan and notes receivable. May also include amounts that must be maintained intact legally or contractually such as corpus or principal of a permanent fund.
- b. Assigned - For all governmental funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. Also consists of general fund amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts.
- c. Unassigned - For the general fund, consists of amounts not classified as nonspendable, restricted, committed or assigned. Also consists of other governmental fund amounts expended in excess of resources that are nonspendable, restricted, committed or assigned (a residual deficit).

G. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgment and may vary from actual results.

H. Compensated Absences

The Town of Alderson has no liability for compensated absences at June 30, 2010.

TOWN OF ALDERSON, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 2 - DEPOSITS AND INVESTMENTS

Primary Government Deposits and Investments:

At June 30, 2010, the primary government held the following deposits and investments:

Type of Deposits and Investments	Carrying Value	Maturities in Years		
		On Demand	1-5	6-10
Deposits:				
Demand Deposits	\$ 203,455	\$ 204,639	\$ -	\$ -
Time Deposits	<u>252,127</u>	<u>-</u>	<u>252,127</u>	<u>-</u>
Total Deposits	<u>\$ 455,582</u>	<u>\$ 204,639</u>	<u>\$ 252,127</u>	<u>\$ -</u>

Reconciliation to Statement of Net Assets:

Cash and cash equivalents \$ 455,582

Deposits and Investment Risks

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

The Town does not have a formal investment policy as it relates to custodial credit risk. State law limits the investment available to the Town and is described above. The investment policy limits acceptable collateral to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma. As required by Federal 12 U.S.C.A, Section 1823 (e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee.

TOWN OF ALDERSON, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 3 - CAPITAL ASSETS

	Balance at July 1, 2009	Additions	Disposals	Balance at June 30, 2010
PRIMARY GOVERNMENT				
<i>Governmental activities:</i>				
Buildings	\$ 72,900	\$ 20,790	\$ -	\$ 93,690
Land	-	-	-	-
Other improvements	-	-	-	-
Machinery and equipment	<u>71,495</u>	<u>13,813</u>	<u>-</u>	<u>85,308</u>
Total other capital assets at historical cost	<u>144,395</u>	<u>34,603</u>	<u>-</u>	<u>178,998</u>
Less Accumulated Depreciation for:				
Buildings	\$ 17,004	\$ 1,715	\$ -	\$ 18,719
Equipment and improvements	-	-	-	-
Water and sewer system	<u>22,029</u>	<u>4,407</u>	<u>-</u>	<u>26,436</u>
Total accumulated depreciation	<u>39,033</u>	<u>6,122</u>	<u>-</u>	<u>45,155</u>
 Governmental activities Capital Assets, Net	 <u>\$ 105,362</u>	 <u>\$ 28,481</u>	 <u>\$ -</u>	 <u>\$ 133,843</u>
 <i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land and construction in progress	<u>\$ 39,880</u>	<u>\$ 242,602</u>	<u>\$ -</u>	<u>\$ 282,482</u>
Total capital assets not being depreciated	<u>39,880</u>	<u>242,602</u>	<u>-</u>	<u>282,482</u>
 Other capital assets:				
Buildings	\$ -	\$ -	\$ -	\$ -
Equipment and improvements	-	-	-	-
Water and sewer system	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other capital assets at historical cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Less Accumulated Depreciation for:				
Buildings	\$ -	\$ -	\$ -	\$ -
Equipment and improvements	-	-	-	-
Water and sewer system	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation Other capital assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities Capital Assets, Net	 <u>\$ 39,880</u>	 <u>\$ 242,602</u>	 <u>\$ -</u>	 <u>\$ 282,482</u>

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 - CHANGES IN LONG-TERM DEBT

The Public Works Authority entered into a loan agreement with Rural Development in the amount of \$399,000 on April 22, 2010. The loan requires interest only payments on April 22, 2011 and April 22, 2012 then monthly payments of \$1,529 beginning on May 22, 2012 with the last payment due on April 22, 2050. The loan has an interest rate of 3.250%. As of June 30, 2010, the Authority had drawn down a total of \$242,602.

The Public Works Authority entered into a loan agreement with Rural Development in the amount of \$132,000 on April 22, 2010. The loan requires interest only payments on April 22, 2011 and April 22, 2012 then monthly payments of \$441 beginning on May 22, 2012 with the last payment due on April 22, 2050. The loan has an interest rate of 2.375%. As of June 30, 2010, the Authority had drawn down a total of \$0.

NOTE 5 - RETIREMENT/PENSION PLANS

The Town of Alderson does not participate in any retirement plans or other post-employment benefit plans.

NOTE 6 - CONTINGENT LIABILITIES/LITIGATION

Contingencies:

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The Town and the Public Works Authority are parties to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provision for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. This statutory taxing ability is not available to the Town's public trusts (Authorities).

While the outcome of the above proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

The management of the Town of Alderson is not aware of any contingent liabilities or pending litigation at June 30, 2010 which would materially affect the Town's financial statements.

TOWN OF ALDERSON, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 7 - INSURANCE

The Town's insurance policies in force at June 30, 2010 consisted of the following:

General Liability:

National American Insurance Company

Policy #GLB42435C9

Policy Period:

Coverage:

Per Occurrence:	
Bodily Injury	\$ 100,000
Property Damage	25,000
Total B.I./Property Damage	1,000,000
Annual Aggregate	2,000,000

Fire and Casualty:

Risk Management Division

State of Oklahoma

Department of Central Services

Policy #59400202

Coverage:

Property/Contents:

Building	\$ 50,000
Contents	6,987
Vehicles	<u>30,839</u>

Total \$ 87,826

Indemnity/General Liability (1):

Per Person, Bodily Injury	\$ 100,000
Per Person, Property Damage	25,000
All Claimants, Per Occurrence	1,000,000

(1) This policy only covers those ministerial or discretionary acts of the insured pursuant to the operation and maintenance of the Fire Department and 74 O.S., Section 85.34A (Title 11 Fire Departments).

NOTE 8 - OKLAHOMA FIREFIGHTERS PENSION

The Town participants in one employee pension system as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan

TOWN OF ALDERSON, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

The Town of Alderson participates in the statewide cost-sharing multi-employer defined benefit plan on behalf of the volunteer firefighters. The system is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provision:

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Obtaining separately issued financial statements	Firefighters Pension & Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	None
Town's contribution rate	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits
Eligibility and benefits for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered
Deferred retirement option	Yes, 20 years credited with continued service for a maximum of 30 or more years
Provision for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/83

Trend information:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$360	100%
2009	\$360	100%
2010	\$360	100%

Trend information shows the progress of the System in accumulating sufficient assets to pay benefits when due is presented in their separate annual financial reports.

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9 - PRIOR PERIOD ADJUSTMENT

The Town of Alderson has a volunteer fire department established under the Laws of the State of Oklahoma. The activities of the volunteer fire department have not been included in the Town's financial statements in prior years. The Town has included the volunteer fire department's transactions in these financial statements as of July 1, 2009. The prior period was adjusted for the cash balance of the volunteer fire department's bank account at July 1, 2009 in the amount of \$28,617.

Prior year fund balance as reported	\$ 437,424
Adjustment to prior fund balance	<u>28,617</u>
Current fund balance beginning (restated)	<u>\$ 466,041</u>

TOWN OF ALDERSON, OKLAHOMA
Notes to Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010

Budgetary Accounting

The Town prepares its budget on the cash basis of accounting for all revenues. The modified accrual basis of accounting is used for the budgeting of expenditures with the exception of the net effect of certain year-end accruals.

Budget Law

The Town prepares its annual operating budget under the provision of the Estimate of Needs Law (68 O.S. Section 3001-3033 & 62 O.S. Section 461). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Governing Body must begin preparing Estimate of Needs and report of revenues, first Monday in August.
- b. Excise Board convenes July 1, to set schedule for public meetings.
- c. Prepare estimate of Needs by September 1.
- d. Submit financials and needs estimate to county excise board
 - Incorporated towns by August 22
 - Cities by August 27
- e. Publication affidavit filed at least 5 days after filling.

In accordance with Title 60 of the Oklahoma State Statutes, the Alderson Public Works Authority is required to prepare an annual budget and submit a copy to the Town as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control.

Budgetary Compliance

For the year ended June 30, 2010, the Town has complied, in all material respects, with the applicable budget laws.

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 Alderson
Alderson, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Alderson, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town of Alderson, Oklahoma's basic financial statements, and have issued my report thereon dated July 11, 2011 which did not include Management's Discussion and Analysis or General Fund budgetary comparison. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Alderson, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Alderson, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Town of Alderson, Oklahoma's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be *material weaknesses*, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Alderson, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
July 11, 2011