

Town of Bethel Acres, Oklahoma

Annual Financial Statements and
Accompanying

Independent Auditor's Report

June 30, 2012

Town of Bethel Acres, Oklahoma
Annual Financial Statements
And Accompanying Independent Auditor's Report
For the Year Ended June 30, 2012

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Town of Bethel Acres, Oklahoma
Annual Financial Statements
And Accompanying Independent Auditor's Report
For the Year Ended June 30, 2012

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**Town of Bethel Acres, Oklahoma
June 30, 2012**

BOARD OF TRUSTEES

Mayor

Neal Davis, Ward 5

Members

Melvin Potter, Ward 1

Mike Jackson, Ward 3

James T Smothers, Ward 4

Clerk/Treasurer

Jane Schuster

SAMUEL S. ALEXANDER

Certified Public Accountant

Independent Auditor's Report

Honorable Mayor and Members
Of the Board of Trustees
Town of Bethel Acres
Shawnee, Oklahoma 74801

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bethel Acres, Oklahoma (the Town), as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions 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 of America. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

As discussed in Note A, the Town prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As discussed in Note B, the financial statements referred to above include an incomplete presentation of general fixed assets. The amount that should be recorded for the general fixed assets is not known, and is, at best, incomplete. If total general fixed assets had been included, carrying amounts and adjustments to the financial statements are not known.

In my opinion, except for the incomplete presentation of general fixed assets as stated above, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2012, and the respective changes in financial position – cash basis thereof for the year then ended in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, I have also issued a report dated February 1, 2013, on my consideration of the Town's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management has elected to omit the Management Discussion and Analysis, which is considered required supplementary information that is normally subjected to auditing procedures. Due to this omission, the usefulness and accessibility of the financial statements are limited to the Town's management. The omission of this information does not affect the opinion expressed on the financial statements as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining statements and other schedules listed as other supplementary information in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note A.

Samuel S. Alexander
Certified Public Accountant

February 1, 2013

Town of Bethel Acres, Oklahoma

Statement of Net Assets - Cash Basis

June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 243,425
Investments	<u>500,000</u>
Total current assets	<u>743,425</u>
Noncurrent assets:	
Capital assets:	
Equipment	389,786
Less: Accumulated depreciation	<u>(39,808)</u>
Total capital assets	<u>349,978</u>
Total assets	1,093,403
LIABILITIES	
Current liabilities:	
Payroll liabilities	1,648
Bank overdraft	<u>1,884</u>
Total liabilities	<u>3,532</u>
NET ASSETS	
Invested in capital assets, net	349,978
Unrestricted	<u>739,893</u>
Total net assets	<u><u>\$ 1,089,871</u></u>

See accompanying notes to the basic financial statements.

Town of Bethel Acres, Oklahoma
 Statement of Activities - Cash Basis
 For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Program Revenues</u>	<u>Charges for</u>	<u>Grants &</u>	<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Services</u>	<u>Reimbursements</u>	<u>Revenues & Changes</u>
				<u>in Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 141,087	38,825	4,413	(97,849)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
General revenues:				
Taxes				
Franchise and public service fees				85,639
Motor vehicle and gasoline excise tax				25,147
Alcohol beverage tax				10,239
Investment income				2,459
Miscellaneous				560
				<u> </u>
Total general revenues and transfers				124,044
				<u> </u>
Changes in net assets				26,195
				<u> </u>
Net assets - beginning of period				1,063,676
				<u> </u>
Net assets - end of period				\$ 1,089,871
				<u> </u>

See accompanying notes to basic financial statements.

Town of Bethel Acres, Oklahoma
 Balance Sheet - Cash Basis
 Governmental Funds
 June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 19,659	223,766	243,425
Investments	350,000	150,000	500,000
Capital assets, net of depreciation	349,978	-	349,978
Total Assets	\$ 719,637	373,766	1,093,403
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Payroll liabilities	\$ 1,648		1,648
Bank overdraft	1,884	-	1,884
Total liabilities	3,532		3,532
Fund balances:			
Invested in capital assets	349,978		349,978
Unreserved	366,127	-	366,127
Unreserved, reported in nonmajor special revenue funds	-	373,766	373,766
Total Fund Balances	716,105	373,766	1,089,871
Total Liabilities and Fund Balances	\$ 719,637	373,766	1,093,403

See accompanying notes to the basic financial statements.

Town of Bethel Acres, Oklahoma

Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis

Governmental Funds

For the Year Ended June 30, 2012

	<u>General Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 10,239	25,147	35,386
Franchise fees	85,639		85,639
Licenses and permits	38,825	-	38,825
Investments	1,978	481	2,459
Grants, reimbursements	4,413	-	4,413
Miscellaneous	560	-	560
	<u>141,654</u>	<u>25,628</u>	<u>167,282</u>
Total Revenues			
Expenditures			
Current			
General government			
Oil & gas inspector	9,400	-	9,400
City clerk/treasurer	8,351	-	8,351
Attorney	5,856	-	5,856
Auditor	3,000	-	3,000
Mowing contractor	7,690	-	7,690
General	36,585	5,170	41,755
Depreciation	24,891		24,891
Public Safety			-
Fire and police	40,144	-	40,144
	<u>135,917</u>	<u>5,170</u>	<u>141,087</u>
Total Expenditures			
Excess (deficiency) of revenues over expenditures	5,737	20,458	26,195
Transfers in and out	-	-	-
Fund balances - beginning of period	<u>710,368</u>	<u>353,308</u>	<u>1,063,676</u>
Fund balances - end of period	<u>\$ 716,105</u>	<u>373,766</u>	<u>1,089,871</u>

See accompanying notes to basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Town of Bethel Acres, Oklahoma
Notes to Financial Statements
June 30, 2012

Note A- Summary of Significant Accounting Policies

The Town of Bethel Acres, Oklahoma (the Town) is a “Board of Trustees form of Government” under Title 11 of the Oklahoma Statutes. The Town provides the following services.

Public safety (Fire and Police protection)
Streets and highways
Public improvements
General administrative services

As discussed further, the accounting and reporting policies of the Town relating to the fund types included in the financial statements are presented under the cash basis of accounting and do not conform to generally accepted accounting principles, defined as those principles prescribed by the Governmental Accounting Standards Board (GASB). The following represent the more significant accounting and reporting policies and practices of the Town.

Fund Accounting

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 by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. The various funds are grouped in this report into two generic fund types and one broad category as follows.

Governmental Funds

General Fund-the general fund is used to account for all of the general revenues of the Town not specifically levied or collected for other Town funds and for expenditures primarily related to the rendering of the general services to the Town.

Special Revenue Funds-the special revenue funds are established to account for revenues derived from specific taxes or other earmarked revenues. The Town had a Street and Alley Fund during the 2011-2012 fiscal year.

Town of Bethel Acres, Oklahoma

Notes to Financial Statements

June 30, 2012

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The cash basis of accounting is employed by all the funds of the Town. Under the cash basis of accounting, revenues are recorded when received instead of when susceptible to accrual or when earned. Expenditures are recorded when paid rather than when the obligations are incurred. This basis is not in compliance with generally accepted accounting principles.

Investments

All investments are stated at cost, which approximates market value unless otherwise indicated.

Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed in the governmental funds. Encumbrances under generally accepted accounting principles are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances would be reported as part of the fund balance on the balance sheet.

Comparative Data

Comparative data for the prior year is not presented in the accompanying financial statements.

Budget

In accordance with Oklahoma Statutes, Title 68, Section 2483, the Town's Board of Trustees formally adopts annual budgets, which include all funds. These annual budgets are adopted on a basis consistent with guidelines established by the Oklahoma Municipal Code.

Note B – Fixed Assets

In the past, the Town recorded all fixed asset acquisitions as expenditures only and has not maintained detailed records of the fixed assets.

Town of Bethel Acres, Oklahoma

Notes to Financial Statements

June 30, 2012

Note B – Fixed Assets (Continued)

In the past, the general fixed assets of the Town were not accounted for. However, beginning, expenditures for fixed asset acquisitions have been capitalized as assets and depreciated ratably; a practice that will continue. Therefore, the general fixed assets presented are incomplete, which is at variance with generally accepted accounting principles.

Note C – Interfund Transactions

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide services, purchase assets, and service debt. Transactions that are normal and recurring between funds are recorded as operating transfers. Transactions that are nonrecurring and represent a transfer of equity between funds are recorded as a change in fund balance.

Note D – General Long Term Debt

General long-term debt of the Town consists of a capital lease that is not reflected on the balance sheet. Payments of principal and interest are expensed at the time of payment, a practice that is at variance with generally accepted accounting principles. The following is a summary of the annual debt service requirements for the retirement of the principal and the payment of interest on the capital lease. First United Bank is the lessor.

	Year Ending <u>June 30,</u>			
(6.125% Int., 84 Months 1/14/2005)	2012	<u>18,193</u>	<u>1,130</u>	<u>19,323</u>

Under the terms of the lease presented above, the Pottawatomie County fire and Safety Committee shall fund the annual payments through the Pottawatomie County Sales Tax Account. This funding is presented in the financial statements as a contribution from Pottawatomie County, Oklahoma.

Town of Bethel Acres, Oklahoma

Notes to Financial Statements

June 30, 2012

Note E – Litigation

The Town has no known pending claims or litigation as of June 30, 2011. In the event the Town is held liable for damages in any litigation that may arise, the resulting judgment will be paid from ad valorem taxes levied over a three-year period through the Town's debt service fund.

Note F – Collateral Pledged

The Town's investment policies are governed by statute. Permissible investments include direct obligations of the United States Governmental agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks, and trust companies; and warrants, bonds or judgments of the Town. Collateral is required to be pledged with the state treasurer for demand deposits and certificates of deposit for all amounts not covered by FDIC insurance.

Cash

The Town's cash deposits at June 30, 2012, are categorized to give an indication of the level of risk assumed by the Town at year-end. Cash on hand of \$185 is not included.

Investments

The Town's investments at June 30, 2012, consist of certificates of deposit and are categorized below to give an indication of the level of risk assumed by the Town at year-end.

Deposit Categories of Credit Risk – Defined

- (A) Insured by the FDIC
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent
- (C) Uncollateralized

Deposit Categories of Credit Risk

	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>		
Cash	\$ 243,425	-	-	273,745	243,425
Investments	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Total	<u>\$ 493,425</u>	<u>250,000</u>		<u>773,745</u>	<u>743,425</u>

Town of Bethel Acres, Oklahoma
Notes to Financial Statements
June 30, 2012

Note G – Grants and Reimbursements

The Town received grants and reimbursements from the State of Oklahoma in the amount of \$ 4,413 in the current period.

Note H – Capital Assets

As of June 30, 2012, capital assets consist of the following.

Radios and accessories	\$ 24,272
Storm sirens, installation	77,200
Lights, baseball field	4,981
Used vehicle	6,000
Emergency vehicle	6,107
New fire truck	213,936
Tractor and blades	16,500
AC unit	5,845
Parking lot @ Memorial Park	<u>34,945</u>
Total acquisitions, at cost	389,786
Less: Accumulated depreciation	<u>39,808</u>
Capital assets, net of depreciation	<u>\$349,978</u>

Depreciation is computed utilizing the straight-line method over lives ranging from ten to twenty years.

Note I – Subsequent Events

Subsequent events have been evaluated through the financial statement issuance date of February 1, 2013, with no items reported.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedule – General Fund

Notes to RSI – Budgetary Comparison Schedule

Town of Bethel Acres, Oklahoma
 Budgetary Comparison Schedule - Cash Basis
 General Fund
 For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (inflows)				
Taxes				
Franchise fees	\$ 83,900	83,900	85,639	1,739
Intergovernmental: Sales & Alcoholic beverage tax	10,500	10,500	10,239	(261)
Licenses, permits	30,000	30,000	38,825	8,825
Investment income	23,570	23,570	1,978	(21,592)
Grants, reimbursements	-	-	4,413	4,413
Miscellaneous	<u>2,150</u>	<u>2,150</u>	<u>560</u>	<u>(1,590)</u>
Total resources (inflows)	<u>150,120</u>	<u>150,120</u>	<u>141,654</u>	<u>(8,466)</u>

(Continued)

Town of Bethel Acres, Oklahoma
 Budgetary Comparison Schedule - Cash Basis
 General Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to appropriations (Outflows)				
City Clerk/Treasurer	\$ 2,500	2,500	8,351	(5,851)
Attorney	6,000	6,000	5,856	144
General government				
Other services, charges	50,300	50,300	36,585	13,715
Depreciation	-	-	24,891	(24,891)
Total General Government	58,800	58,800	75,683	(16,883)
Police & Fire				
Fire:				
Materials, supplies	76,250	76,250	40,144	36,106
Auditor	3,500	3,500	3,000	500
Oil & gas inspector	8,000	8,000	9,400	(1,400)
Mowing contractor	8,400	8,400	7,690	710
Travel, mileage	200	200	-	200
	20,100	20,100	20,090	10
Appropriations	155,150	155,150	135,917	19,233
Excess or deficit, revenues less expenses	(5,030)	(5,030)	5,737	10,767
Carryover of prior year	5,030	5,030		
	-	-		

Town of Bethel Acres, Oklahoma
Notes To Required Supplemental Information
Budgetary Comparison Schedule
For the Year Ended June 30, 2012

Budgetary Accounting

The Town prepares its budget for the General Fund on the cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the General Fund in the basic financial statements. All unexpended appropriations lapse at year end.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Combining Statements – Non-major governmental funds

Budgetary Comparison Schedules - Non-major governmental funds

Town of Bethel Acres, Oklahoma
Combining Balance Sheet - Cash Basis
Nonmajor Governmental Funds
June 30, 2012

Schedule 1

	<u>Special Revenue Fund Street and Alley</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 223,766
Investments	<u>150,000</u>
Total Assets	<u><u>\$ 373,766</u></u>
 <u>FUND BALANCE</u>	
Unreserved, reported in nonmajor special revenue funds	<u><u>\$ 373,766</u></u>

Town of Bethel Acres, Oklahoma

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Cash Basis
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue Fund Street and Alley</u>
Revenues	
Intergovernmental	\$ 25,147
Investment income	<u>481</u>
Total Revenues	<u>25,628</u>
Expenditures	
Street and alley expense	<u>5,170</u>
Excess (deficiency) of revenues over expenditures	20,458
Fund balance - beginning of period	<u>353,308</u>
Fund balance - end of period	<u><u>\$ 373,766</u></u>

Town of Bethel Acres, Oklahoma
 Budgetary Comparison Schedule - Cash Basis
 Budgeted Nonmajor Governmental Funds
 For the Year Ended June 30, 2012

	Special Revenue Fund Street and Alley			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (Inflows):				
Taxes	\$ 23,400	23,400	25,147	1,747
Investment income	-	-	481	481
Amounts available for appropriation	23,400	23,400	25,628	2,228
Streets:				
Material & supplies	600	600	5,170	(4,570)
Total charges to Appropriations	600	600	5,170	(4,570)
Excess (deficit) Revenues Over expenses	\$ 22,800	22,800	20,458	(2,342)

INTERNAL CONTROL AND COMPLIANCE SECTION

SAMUEL S. ALEXANDER

Certified Public Accountant

Report On Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with *Government Audit Standards*

Honorable Mayor and Members
Of the Board of Trustees
Town of Bethel Acres
Shawnee, Oklahoma

I have audited the basic financial statements of the Town of Bethel Acres, Oklahoma (the Town), as of and for the year ended June 30, 2012, and have issued my report thereon dated February 1, 2013. The report was a special report on the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and included a disclaimer of opinion on fixed assets and on required supplementary information. 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 of America.

Compliance

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance required to be reported under *Government Audit Standards* described in the accompanying schedule of findings as item 07-02.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying schedule of findings as item 07-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider 07-01 not to be a material weakness and 07-02 to be a material weakness.

This report is intended solely for the information of the Board of Trustees and management of the Town of Bethel Acres, Oklahoma, and is not intended to be, and should not be, used by anyone other than these specified parties.

Samuel S. Alexander
Certified Public Accountant

February 1, 2013

Town of Bethel Acres, Oklahoma
Schedule of Findings
Year Ended June 30, 2012

Reportable Conditions of Internal Control

07-01 Segregation of Duties

Criteria: The segregation of incompatible financial duties is important to adequately protect the Town's assets and ensure accurate financial reporting.

Condition: Presently the same individual receiving cash also posts payments and adjustments to subsidiary accounts receivable and accounts payable ledgers. This is a repeat condition from prior years.

Cause: The Town's limited population and resources result in its inability to provide sufficient staffing to fully segregate incompatible duties.

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

Recommendation: Efficient segregation of duties in a small town environment is often difficult. However, the governing body and Town management should be aware of this risk associated with the lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible. Such control could consist of independent bank account reconciliation reviews, revenue posting report reviews, payment posting report reviews and adjusting entry reviews.

Town of Bethel Acres, Oklahoma
Schedule of Findings
Year Ended June 30, 2012

Compliance

07-02 Encumbrance Accounting – 62 O.S. 2001 Section 310.1

Criteria: State law requires that purchases orders and contracts shall be submitted, prior to the time the commitment is made, to the encumbering clerk who shall certify that appropriation is available in the accounts to be charged and record the encumbrance against the appropriation accounts.

Condition: For all practical purposes, purchase orders are not encumbered against appropriations at the time the commitment is incurred. Primarily, the purchase orders are used to document approval of payment for claims.

Effect: This lack of true encumbering can result in the inability to adequately determine if appropriations are available prior to purchase of goods or services. Noncompliance also results in the inability to present encumbrances as expenditures in the “budgetary comparison” financial statements as is implied by State law.

Recommendation: The Town management and governing body may wish to take advantage of a provision in State law allowing for a Town ordinance to prescribe alternative purchasing policies and procedures. With such an ordinance, a motion to amend the encumbering requirements could be adopted as long as other adequate budgetary controls exist. Otherwise, I recommend the Town begin properly encumbering to ensure that appropriation is available prior to purchase of goods and services.