

TOWN OF BOLEY, OKLAHOMA
Report on the Audit of the
Financial Statements
as of and for the twelve months ended
June 30, 2014

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Town of Boley, Oklahoma
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Independent Auditor's Report

The governing body of the
Town of Boley, Oklahoma

Report on the financial statements

I have audited the accompanying financial statements of the governmental activities, and each major fund of the Town of Boley, Oklahoma as of and for the year ended June 30, 2014, 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 which is a basis of accounting other than accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the Town of Boley, Oklahoma as of June 30, 2014, and respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 18, 2015 on my consideration of the Town of Boley, 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Boley, Oklahoma's internal control over financial reporting and compliance.



Certified Public Accountant
November 18, 2015

Town of Boley, Oklahoma
 Balance Sheet-Modified Cash Basis
 Governmental Funds
 June 30, 2014

	General fund	Total
Assets		
Cash and cash equivalents	53,174	53,174
Certificates of deposit	6,598	6,598
Deposits with third party administrators	5,935	5,935
Total assets	65,707	65,707
Liabilities and Fund Balances		
Liabilities		
Current liabilities:		
Accounts payable	1,626	1,626
Total current liabilities	1,626	1,626
Total liabilities	1,626	1,626
Fund balances:		
Unreserved	64,081	64,081
Total fund balance	64,081	64,081
Total liabilities and fund balance	65,707	
Reconciliation to Statement of Net Assets:		
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities of \$936,089, net of accumulated depreciation of \$311,704, are not financial resources and, therefore are not reported in the funds		624,385
Net assets of governmental activities		688,466
See the accompanying notes to the basic financial statements		

Town of Boley, Oklahoma
Statement of Revenues, Expenditures, and
Changes in Fund Balances-Modified Cash
Basis-Governmental Funds
For the twelve months ended June 30, 2014

	General fund	Total
Revenues:		
Taxes		
Sales	44,088	44,088
Alcoholic beverage	14,556	14,556
Motor vehicle/gasoline excise	9,391	9,391
Franchise	10,548	10,548
Tobacco	522	522
Occupation	325	325
Fire dues	1,730	1,730
Charges for services	19,424	19,424
Investment income	130	130
Intergovernmental	859	859
Grants	5,958	5,958
Other	200	200
Total revenues	<u>107,732</u>	<u>107,732</u>
Expenditures:		
General government		
Personal services	36,211	36,211
Maintenance/operation	86,975	86,975
Capital outlay	-	-
Total expenditures	<u>123,186</u>	<u>123,186</u>
Excess (deficiency) of revenues over expenditures and changes in net assets	(15,454)	(15,454)
Fund balances, July 1, 2013	<u>165,892</u>	<u>165,892</u>
Fund balances, June 30, 2014	<u>150,438</u>	<u>150,438</u>
See the accompanying notes to the basic financial statements		

Town of Boley, Oklahoma
Statement of Revenues, Expenditures, and
Changes in Fund Balances-Modified Cash
Basis-Governmental Funds
For the twelve months ended June 30, 2014

Net change in fund balances-total governmental funds	(15,454)
Reconciliation to the Statement of Activities	
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital expenditures	-
Depreciation expense	(37,746)
	<u>(37,746)</u>
Change in Net Assets of Governmental Activities	<u>(53,199)</u>

See the accompanying notes to the basic financial statements

Town of Boley, Oklahoma
Notes to the Basic Financial Statements
June 30, 2014

Note 1-Significant Accounting Policies

- A. **Summary of Significant Accounting Policies**
As discussed further below, these financial statements are presented on a modified cash basis of accounting. A modified cash basis differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the Cash Basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.
- B. **Financial Reporting Entity**
The Town's financial reporting entity is composed of the following:
Primary government: Town of Boley, Oklahoma

In determining the financial reporting entity, the Town of Boley, Oklahoma's complies with the provisions of Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity".

- C. **Basis of Presentation**
Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and any business-type activities if they existed. 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 charged to external parties for goods or services.

Town of Boley, Oklahoma
Notes to the Basic Financial Statements
June 30, 2014

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town of Boley, Oklahoma presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The general fund is the primary operating fund of the Town and 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.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Town of Boley, Oklahoma
Notes to the Basic Financial Statements
June 30, 2014

Measurement focus

In the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the Cash Basis of accounting, is used as appropriate:

All governmental funds used a “current financial resources” measurement focus. 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 resources at the end of the period.

Basis of accounting

The government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions in the government-wide statements, proprietary fund statements, and the similar discretely presented component unit statements recognizing depreciation expense. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting.

Town of Boley, Oklahoma
Notes to the Basic Financial Statements
June 30, 2014

E. Assets, Liabilities, and Equity

Cash and cash equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Capital assets

The town has not maintained a complete historical record of assets. As a result, only part of the capital assets of the town are recorded or presented in the financial statements. As a result, assets are understated by the cost of assets less accumulated depreciation and income overstated each year by the amount of depreciation on these assets. These amounts are not determinable. This represents a departure from accounting principles generally accepted in the United States of America. Assets acquired from July 1, 2004 and forward are being recorded and the depreciation expense recorded.

Fund Financial Statements

All long-term debt arising from modified cash basis transactions to be repaid from governmental resources would be reported as liabilities in the government-wide statements.

Long-term debt arising from modified cash basis transactions of governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds would be reported as other financing sources and payment of principal and interest would be reported as expenditures.

Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt-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.
2. Restricted net assets-Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation.

Town of Boley, Oklahoma
Notes to the Basic Financial Statements
June 30, 2014

3. Unrestricted net assets-All other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

Fund Financial Statements

Government fund equity is classified as fund balance.

- F. Revenues, Expenditures, and Expenses

Program revenues

In the Statement of Activities, modified cash basis revenues are derived directly from each activity or from parties outside the Town’s taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General government	Rents, charges for services
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All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

- G. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates

Note 2-Stewardship, Compliance, and Accountability

By its nature as a local governmental unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations.

Town of Boley, Oklahoma
Notes to the Basic Financial Statements
June 30, 2014

Note 3-Detail Notes-Transaction Classes/Accounts

A. Cash and investments

Custodial credit risk-deposits

The table presented below is designed to disclose the level of custodial risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2014. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

- Category 1 Insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in its name.
- Category 2 Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3 Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agency but not in the Town's name; or properly collateralized with no written and approved collateral agreement.

Primary government

Investments and custodial credit risk

Type of deposits	Total bank balance	Custody credit risk category			Total carrying value
		1	2	3	
Insured deposits	59,772				
Uninsured deposits:					
Collateralized					
Uncollateralized					
Total deposits	59,772	-	-	-	
Petty cash					-
Total cash					59,772
Reconciliation to government-wide Statement of Net Assets					
		Cash and cash equivalents			53,174
		Investments			6,598
		Total			59,772

Investments are limited by state law to the following:

- 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 of Oklahoma is pledged.

Town of Boley, Oklahoma
Notes to the Basic Financial Statements
June 30, 2014

- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitations, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

Note 4-Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages these various risks of loss by purchasing commercial insurance. In so doing, each incidence may have a nominal deductible amount that is uninsured, but no material risk of loss is retained.

Note 5-Capital assets.

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance			Balance	
Description	June 30, 2013	Additions	Reductions	June 30, 2014	
Governmental activities:					
Construction in progress	225,009		225,009	-	
Land	3,250			3,250	
Equipment	140,804			140,804	
Vehicles	168,523			168,523	
Buildings and improvements	308,890	314,622		623,512	
Total	846,476	314,622	225,009	936,089	
Accumulated depreciation	273,959	37,746		311,704	
Net property and equipment	572,517	276,877	225,009	624,385	

Town of Boley, Oklahoma
Notes to the Basic Financial Statements
June 30, 2014

Note 6-Intergovernmental revenues

The Town of Boley, Oklahoma received grant revenues during the twelve months ended June 30, 2014, from the following:

Description	Amount received	Amount expended
Central Oklahoma Economic Development Autho	1,484	1,484
Oklahoma Department of Agriculture	4,474	4,474
Total	5,958	5,958

Note 7-Deposits with third party administrator.

Funds held by the Oklahoma Municipal Assurance Group consist of:

Escrow funds-Typically past refunds or interest earnings left on deposit with the administrator to be disbursed upon instruction by the governing body.

Rate stabilization reserve-Reserves developed under the premium modification guidelines to be applied against future premium increases.

Loss fund-That portion of premium to pay claims.

The Oklahoma Municipal Assurance Group Workers' Compensation Plan became effective October 1, 1984. The purpose of the plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. A plan year normally begins on July 1 in any year and ends on June 30 of the following calendar year. The plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owned for benefits provided to the municipality or its employees.

A municipality may apply and enter into agreement with the plan to participate in the coverages and services that the plan offers as outlined above. Upon acceptance into the plan, a participant has the responsibility to pay fees set by the plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, a participant in the plan is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have a right to the return of any loss funds set aside for claims, which have not been paid out as benefits.

Town of Boley, Oklahoma
Notes to the Basic Financial Statements
June 30, 2014

The amount shown in the financial statements reflect the funds being held by the group for the Town of Boley, Oklahoma. These funds represent both current and past plan year participation with the loss fund balances in respect to the Town of Boley, Oklahoma's workers' compensation retention. CompSource Oklahoma provides coverage in excess of these respective retention levels so each participant's liability for claim losses is limited to these retention levels. Failure of CompSource Oklahoma to honor its obligation could result in losses to the plan. However, Oklahoma Municipal Assurance Group's evaluation of the financial condition of CompSource Oklahoma indicates that CompSource Oklahoma is presently financially sound and will be able to meet its contractual obligations.

David O. Tate

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Mangum, Oklahoma 73554

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

The governing body of the Town of Boley, Oklahoma

I 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, the financial statements of the governmental activities, each major fund of the Town of Boley, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Boley, Oklahoma's basic financial statements, and have issued my report thereon dated October 29, 2015. These financial statements are presented in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal control over financial reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Town of Boley, 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".

Purpose of this report

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink that reads "David O. Tate". The signature is written in a cursive style with a large initial 'D' and 'T'.

Certified Public Accountant
November 18, 2015