

FINANCIAL STATEMENTS
AND
AUDITOR'S REPORTS

TOWN OF BOSWELL
JUNE 30, 2012

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dwg, inc. Certified Public Accountant and Consultant

Independent Auditor's Report

To the City Council
Town of Boswell, Oklahoma

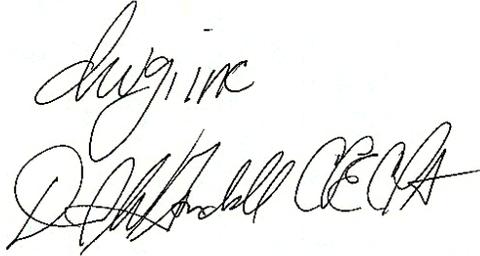
We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the Town of Boswell, Oklahoma as of and for the year ended June 30, 2012, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the Town of Boswell, Oklahoma, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report through the audit report date on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *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. Management has elected not to include a Management's Discussion and Analysis as part of this report and did not include budgetary comparison information. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Handwritten signature of David W. Gandall, CFE, CPA. The signature is written in cursive and includes the initials 'DWG' and the credentials 'CFE, CPA'.

dwg, inc.
David W. Gandall, CFE, CPA
August 12, 2014

**Town of Boswell
Statement of Net Assets
As of June 30, 2012**

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and investments | \$ 26,113 | \$ 8,422 | \$ 34,535 |
| Cash and investments - restricted | | 225,318 | 225,318 |
| Accounts receivable | 5,662 | 22,241 | 27,903 |
| Allowance for doubtful accounts | | (802) | (802) |
| Net accounts receivable | 5,662 | 21,439 | 27,101 |
| Taxes receivable | 15,039 | | 15,039 |
| Due from other funds | 2,509 | 1,636 | 4,145 |
| Other assets | 2,218 | 1,773 | 3,991 |
| Total current assets | 51,541 | 258,588 | 310,129 |
| Capital Assets | | | |
| Non-depreciable capital assets | | 53,380 | 53,380 |
| Depreciable capital assets | 1,938,198 | 2,823,854 | 4,762,052 |
| Accumulated depreciation | (1,562,599) | (764,687) | (2,327,286) |
| Net capital assets | 375,599 | 2,112,547 | 2,488,146 |
| TOTAL ASSETS | 427,140 | 2,371,135 | 2,798,275 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | 7,953 | 13,818 | 21,771 |
| Due to other funds | 4,364 | | 4,364 |
| Accrued liabilities | 3,449 | 14,151 | 17,600 |
| Current portion of long-term debt | | 15,000 | 15,000 |
| Total current liabilities | 15,766 | 42,969 | 58,735 |
| Noncurrent Liabilities | | | |
| Meter deposits refundable | | 32,693 | 32,693 |
| Long-term debt, less current portion | | 740,000 | 740,000 |
| Total noncurrent liabilities | 0 | 772,693 | 772,693 |
| TOTAL LIABILITIES | 15,766 | 815,662 | 831,428 |
| NET ASSETS | | | |
| Invested in capital assets, net of debt | 375,599 | 1,319,167 | 1,694,766 |
| Restricted for: | | | |
| Debt service | | 106,235 | 106,235 |
| Unrestricted | 35,775 | 130,071 | 165,846 |
| TOTAL NET ASSETS | \$ 411,374 | \$ 1,555,473 | \$ 1,966,847 |

Town of Boswell
Statement of Activities
For the year ended June 30, 2012

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenues and Changes in Net Assets | | |
|--------------------------------|--------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total Activities |
| Governmental activities: | | | | | | | |
| General fund | \$ (131,910) | \$ 6,077 | | | \$ (125,833) | | \$ (125,833) |
| Nutrition program fund | (74,953) | | 41,548 | | (33,405) | | (33,405) |
| Police Department fund | (58,124) | 20,678 | | | (37,446) | | (37,446) |
| Fire Department operating fund | (26,827) | 12,815 | 9,413 | | (4,599) | | (4,599) |
| Fire Department equipment fund | (6,652) | | | | (6,652) | | (6,652) |
| Total governmental activities | (298,466) | 39,570 | 50,961 | 0 | (207,935) | | (207,935) |
| Business-type activities: | | | | | | | 0 |
| Water and sewer | (326,772) | 219,256 | | | | (107,516) | (107,516) |
| Sanitation | (44,657) | 53,380 | | | | 8,723 | 8,723 |
| Industrial Park | (25,756) | 14,152 | | | | (11,604) | (11,604) |
| Other fees and charges | (1,588) | 3,866 | | | | 2,278 | 2,278 |
| Total business-type activities | (398,773) | 290,654 | | 0 | | (108,119) | (108,119) |
| Total all activities | (\$697,239) | \$330,224 | \$50,961 | \$0 | (\$207,935) | (\$108,119) | (\$316,054) |
| Interest expensed in: | | | | | | | |
| General government | 0 | | | | | | |
| Water and sewer | 43,180 | | | | | | |
| Industrial Park | 0 | | | | | | |
| Total | 43,180 | | | | | | |
| | | | | | General revenues: | | |
| | | | | | Sales and use taxes | \$ 151,276 | 151,276 |
| | | | | | Franchise taxes | 12,921 | 12,921 |
| | | | | | Other income (loss) | 4,790 | 4,975 |
| | | | | | Transfers | (846) | 17,932 |
| | | | | | Total general revenues and transfers | 168,141 | 187,104 |
| | | | | | Change in net assets | (39,793) | (128,950) |
| | | | | | Beginning net assets | 427,537 | 2,074,974 |
| | | | | | Prior period adjustments | 23,630 | 20,822 |
| | | | | | Ending net assets | \$411,374 | \$1,966,847 |

**Town of Boswell
Balance Sheet
Governmental Funds
As of June 30, 2012**

| | Major Funds | | | Non-Major Fund | | Total Governmental Funds |
|--|-----------------|------------------------------|------------------------------|--------------------------------------|--------------------------------------|--------------------------------|
| | General Fund | Nutrition Program Fund | Police Department Fund | Fire Department Operating Fund | Fire Department Equipment Fund | |
| ASSETS | | | | | | |
| Cash and investments | \$ 3,275 | \$ 11,726 | \$ (2,269) | \$ 13,388 | \$ (7) | \$ 26,113 |
| Taxes receivable | 15,039 | | | | | 15,039 |
| Accounts receivable | 974 | 4,688 | | | | 5,662 |
| Prepaid insurance | 444 | 1,330 | 443 | | | 2,217 |
| Due from other funds | | 763 | 873 | 873 | | 2,509 |
| TOTAL ASSETS | 19,732 | 18,506 | (953) | 14,261 | (7) | 51,539 |
| LIABILITIES | | | | | | |
| Accounts payable | 3,315 | 1,586 | 1,073 | 1,979 | | 7,953 |
| Accrued payroll payable | 2,173 | 609 | 667 | | | 3,449 |
| Due to other funds | 4,364 | | | | | 4,364 |
| TOTAL LIABILITIES | 9,852 | 2,195 | 1,740 | 1,979 | | 15,766 |
| FUND BALANCES | | | | | | |
| Unreserved | 9,880 | 16,312 | (2,692) | 12,282 | (7) | 35,775 |
| TOTAL FUND BALANCES | 9,880 | 16,312 | (2,692) | 12,282 | (7) | 35,775 |
| TOTAL LIABILITIES AND FUND BALANCES | 19,732 | 18,507 | (952) | 14,261 | (7) | 51,541 |

Reconciliation of general fund balance to net assets of governmental activities:

| | |
|--|-------------------|
| Fund balance | \$ 35,775 |
| Capital assets | 1,938,198 |
| Accumulated depreciation | (1,562,599) |
| Net assets of governmental activities | \$ 411,374 |

Town of Boswell
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year ended June 30, 2012

| | Major Funds | | | Non-Major Fund | | Total Governmental Funds |
|---|------------------|------------------------------|------------------------------|--------------------------------------|--------------------------------------|--------------------------------|
| | General Fund | Nutrition Program Fund | Police Department Fund | Fire Department Operating Fund | Fire Department Equipment Fund | |
| REVENUES | | | | | | |
| Taxes | \$ 136,118 | \$ 8,943 | \$ 9,568 | \$ 9,568 | \$ - | \$ 164,197 |
| Licenses, fees and permits | 1,508 | | | | | 1,508 |
| Fines and forfeitures | | | 20,678 | | | 20,678 |
| Sales and services | 4,569 | | | | | 4,569 |
| Grants and awards | | 41,548 | | 9,413 | | 50,961 |
| Membership dues | | | | 12,815 | | 12,815 |
| Other revenues | 3,219 | 213 | | 1,335 | | 4,767 |
| Interest | 7 | | | 16 | | 23 |
| TOTAL REVENUES | 145,421 | 50,704 | 30,246 | 33,147 | 0 | 259,518 |
| EXPENDITURES | | | | | | |
| Salaries and wages | 60,382 | 33,132 | 27,550 | | | 121,064 |
| Payroll taxes | 5,265 | 2,873 | 2,477 | | | 10,615 |
| Telephone and utilities | 16,648 | 7,655 | 4,048 | 3,175 | | 31,526 |
| Repairs, maintenance and supplies | 5,040 | 4,716 | 2,502 | 3,570 | | 15,828 |
| Insurance and bonds | 2,997 | 4,442 | 5,852 | 3,303 | | 16,594 |
| Professional services | 13,200 | 600 | 5,121 | 1,100 | | 20,021 |
| Elected officials expense | 3,155 | | | | | 3,155 |
| Office supplies and expenses | 2,107 | 212 | 1,216 | 144 | | 3,679 |
| Vehicle diesel, gas and oil | | | 4,713 | 12,856 | | 17,569 |
| Cemetery | 2,396 | | | | | 2,396 |
| Travel | | 1,519 | 312 | | | 1,831 |
| Pest control | | 540 | | | | 540 |
| Bank charges | 20 | | | 100 | | 120 |
| Dues, fees and licenses | 1,064 | | | 593 | | 1,657 |
| Oklahoma Firefighter pension expense | | | | 900 | | 900 |
| Other expense | 1,198 | | 4,333 | 547 | | 6,078 |
| TOTAL EXPENDITURES | 113,472 | 55,689 | 58,124 | 26,288 | 0 | 253,573 |
| REVENUES OVER (UNDER) EXPENDITURES | 31,949 | (4,985) | (27,878) | 6,859 | 0 | 5,945 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers-in (out) | (16,592) | 0 | 15,746 | 0 | 0 | (846) |
| TOTAL OTHER FINANCING SOURCES (USES) | (16,592) | 0 | 15,746 | 0 | 0 | (846) |
| NET CHANGE IN FUND BALANCE | 15,357 | (4,985) | (12,132) | 6,859 | 0 | 5,099 |
| BEGINNING FUND BALANCE | 0 | 9,665 | 17,222 | 1,829 | 0 | 11,494 |
| ENDING FUND BALANCE | \$ 15,357 | \$ 4,680 | \$ 5,090 | \$ 8,688 | \$ - | \$ 16,590 |

Reconciliation of the net change in fund balance to the change in net assets of governmental activities:

| | | |
|--|--|--------------------|
| | Net change in fund balance | 5,099 |
| | Principal payments | 0 |
| | Capital asset purchases capitalized | 0 |
| Funds borrowed recorded as revenue in the fund financial statements but recorded as long term liability in the government wide financial statements | | 0 |
| | Depreciation expense | (44,892) |
| | Change in net assets of governmental activities | \$ (39,793) |

**Town of Boswell
Statement of Net Assets
Proprietary Funds
As of June 30, 2012**

| | |
|---|---------------------|
| ASSETS | |
| Current Assets | |
| Unrestricted cash and cash equivalents | \$ 8,422 |
| Utility billing receivables | 21,439 |
| Due from other funds | 1,636 |
| Prepaid insurance | 1,773 |
| Restricted assets | |
| Customer meter deposits | 28,251 |
| Cash and cash equivalents | 197,067 |
| Total current assets | <u>258,588</u> |
| Noncurrent Assets | |
| Non-depreciable capital assets | 53,380 |
| Depreciable capital assets | 2,823,854 |
| Accumulated depreciation | <u>(764,687)</u> |
| Net capital assets | <u>2,059,167</u> |
| TOTAL ASSETS | <u>2,371,135</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 13,818 |
| Due to other funds | |
| Accrued interest | 14,151 |
| Current portion of long-term debt | 15,000 |
| Total current liabilities | <u>42,969</u> |
| Noncurrent liabilities | |
| Customer meter deposits refundable | 32,693 |
| Long-term debt, less current portion | 740,000 |
| Total noncurrent liabilities | <u>772,693</u> |
| TOTA LIABILITIES | <u>815,662</u> |
| NET ASSETS | |
| Invested in capital assets, net of debt | 1,319,167 |
| Restricted for: | |
| Debt service | 106,235 |
| Unrestricted | 130,071 |
| TOTAL NET ASSETS | <u>\$ 1,555,473</u> |

Town of Boswell
Statement of Revenues, Expenses and Changes in Assets
Proprietary Funds
For the Year ended June 30, 2012

| | |
|-------------------------------|---------------------|
| OPERATING REVENUES | |
| Water revenue | \$ 137,832 |
| Sewer revenue | 81,424 |
| Sanitation revenue | 53,380 |
| Rental revenue | 14,152 |
| Interest revenue | 185 |
| Other fees and charges | 3,866 |
| TOTAL OPERATING REVENUES | <u>290,839</u> |
| OPERATING EXPENSES | |
| Water and Sewer | 19,862 |
| Sanitation | 44,657 |
| Materials, goods and services | 205,330 |
| Interest expense | 43,180 |
| Other expense | 1,588 |
| TOTAL OPERATING EXPENSES | <u>314,617</u> |
| OPERATING INCOME (LOSS) | (23,778) |
| OTHER INCOME (EXPENSE) | |
| Depreciation expense | (84,156) |
| TOTAL OTHER INCOME (EXPENSE) | <u>(84,156)</u> |
| INCOME BEFORE TRANSFERS | (107,934) |
| TRANSFERS IN | 28,302 |
| TRANSFERS (OUT) | <u>(9,524)</u> |
| NET INCOME | (89,156) |
| BEGINNING NET ASSETS | 1,647,437 |
| Prior period adjustments | (2,808) |
| ENDING NET ASSETS | <u>\$ 1,555,473</u> |

Town of Boswell
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2012

| | |
|---|--------------------|
| Cash flows from operations: | |
| Customers | \$ 274,507 |
| Rental income | 14,152 |
| Other fees and charges | 3,866 |
| Interest | 185 |
| Cash payments for: | |
| Salaries and wages | (136,845) |
| Goods and services | (138,933) |
| Interest paid on long term debt | (41,282) |
| Net cash provided from operations | <u>(24,350)</u> |
| Cash flows from capital financing activities: | |
| Long term debt payments | <u>(15,000)</u> |
| Net cash from capital financing activities | (15,000) |
| Cash flows from non-capital financing activities: | |
| Certificate of deposit | 14,871 |
| Prepaid expenses | (787) |
| Customer deposits | 1,982 |
| Interfund transfers | <u>17,142</u> |
| Net cash from non-capital financing | 33,208 |
| Net increase (decrease) in cash | (6,142) |
| Beginning cash | 14,564 |
| Ending cash | <u>\$ 8,422</u> |
| Reconciliation of income from operations | |
| to net cash from operations: | |
| Operating income (loss) | \$ (107,934) |
| Adjustments to income from operations: | |
| Depreciation and amortization | 84,156 |
| Change in assets and liabilities: | |
| (Increase) decrease in receivables | 1,871 |
| (Increase) decrease in prepaid expenses | 2,022 |
| (Increase) decrease in due from other funds | (3,629) |
| (Increase) decrease in restricted cash | (1,169) |
| Increase (decrease) in payables | (4,448) |
| Increase (decrease) in accrued expenses | 1,898 |
| Increase (decrease) in refundable deposits | 2,888 |
| Net cash provided by operations | <u>\$ (24,345)</u> |
| Restricted cash in certificates of deposit | \$ 26,310 |
| Restricted cash in trust accounts | <u>170,757</u> |
| Total restricted non current cash | <u>197,067</u> |
| Operating Cash | 8,422 |
| Total cash and cash equivalents | <u>\$ 205,489</u> |

Town of Boswell
Notes to the Financial Statements
As of and for the Year Ended June 30, 2012

1. Summary of Significant Accounting Policies

GASB 34

During the year ending June 30, 2007, the Town of Boswell implemented a new financial statement reporting model, as required by the Governmental Accounting Standards Board (GASB). This new reporting model makes substantial changes in the presentation of the financial statements over the previous model.

Financial Reporting Entity

The Town of Boswell, Oklahoma is an incorporated town under the provisions of the State of Oklahoma. The Town provides the following services: public safety, nutrition program, streets and alley maintenance, sanitation, water and sewer department, fire protection, and administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, taxing authority, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2012, the Town had two component units: Boswell Economic Development Authority and Boswell Public Works Authority, which together make up the Town of Boswell Proprietary Funds.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories.

The Town's governmental funds are the general fund, which is the operating fund of the Town and used to account for all financial revenues and expenditures except those legally or administratively required to be accounted for in another fund; the Nutrition Program Fund, the Police Department Fund, the Fire Department Fund and the Fire Department Equipment Fund are used to account for the revenues and expenditures in those funds.

The Town's proprietary funds consist of the Boswell Economic Development Authority, which is accounted for in the Industrial Park Fund for revenues and expenses of rented buildings, and the Boswell Public Works Authority, which is accounted for in the Public Works Administration Fund for revenues and expenses of water, sewer and sanitation services.

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments

Town of Boswell
Notes to the Financial Statements
As of and for the Year Ended June 30, 2012

using a full cost allocation approach and presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

GOVERNMENTAL FUNDS

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursement due for federally funded projects is accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services and miscellaneous income are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decrease in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation of costs, such as depreciation, is recorded in proprietary funds. The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable then Government Accounting Standards Board pronouncements are used.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Cash and cash equivalents restricted for debt service, meter deposits and other long term purposes are excluded from this definition.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of

Town of Boswell
Notes to the Financial Statements
As of and for the Year Ended June 30, 2012

expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2012.

Budget

In accordance with Oklahoma Statutes, Title 68, Section 2483, the Town Council should formally adopt an annual budget which include substantially all funds. These annual budgets should be adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code. The Town Council declined to do so for the fiscal year ended June 30, 2012

Risk Management

Significant losses are covered by commercial insurance for all Town operations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property, Plant and Equipment

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure, and capitalized at cost in the General Fixed Assets Account Group.

Property, plant and equipment acquired for proprietary funds are capitalized at cost and depreciated over their estimated useful lives using the straight-line method of depreciation. Estimated useful lives have been estimated as follows:

| | |
|--|---------------|
| Buildings and improvements | 25 - 30 years |
| Machinery and equipment | 3 - 10 years |
| Vehicles | 5 years |
| Streets | 40 years |
| Water and sewer systems and improvements | 40 years |

Accounts Payable

The City is responsible for outstanding obligations to vendors and others for operating materials, services or other charges.

Long-term Debt

Long-term debt to be repaid from governmental funds is recorded in the general long-term debt account group. Long-term debt to be repaid from proprietary funds is recorded in the fund. The current portion of long-term debt to be repaid within one year is recorded in the fund.

2. Cash and Investments

Deposits and investments made by the Town are summarized below. The deposits are classified as to credit risk within the following three categories:

- Category 1 Insured or collateralized, with securities held by the Town or its agent in the Town's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3 Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Town's name).

Town of Boswell
Notes to the Financial Statements
As of and for the Year Ended June 30, 2012

Federal Deposit Insurance covers non-interest bearing deposits up to \$250,000 and interest bearing deposits for an additional \$250,000. First Texoma National Bank has pledged additional collateral and, therefore, for the year ending June 30, 2012, the Town and its component units had all category one deposits up to the FDIC insurance limits.

3. Property, Plant and Equipment

Governmental Funds

As of June 30, 2012, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded amounts were not available. Depreciation of \$44,892 for the governmental funds was recorded for the following: General Fund \$18,438; Police Department \$19,264; Fire Department – operations \$6,652; and Fire Department – equipment \$538.

| | Balance June 30, 2011 | Additions | Deletions | Balance June 30, 2012 |
|---------------------------|--------------------------|--------------------|------------------|--------------------------|
| General Fund | \$ 1,780,175 | \$ | 22,150 | \$ 1,758,025 |
| Police Department | 103,839 | | | 103,839 |
| Fire Department-operating | 72,524 | | | 72,524 |
| Fire Department-equipment | 3,809 | | | 3,809 |
| Total | 1,960,348 | - | 22,150 | 1,938,198 |
| Accumulated Depreciation | (1,539,857) | (44,892) | 22,150 | (1,562,599) |
| Net Assets | \$ 420,491 | \$ (44,892) | \$ 22,150 | \$ 375,599 |

Proprietary Funds

As of June 30, 2012, the proprietary funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded amounts were not available. Depreciation of \$84,156 for the proprietary funds was recorded for the following: Industrial Park \$21,163; and Public Works Authority \$62,993.

| | Balance June 30, 2011 | Additions | Deletions | Balance June 30, 2012 |
|--------------------------|--------------------------|--------------------|-----------|--------------------------|
| Land | \$ 53,380 | | | \$ 53,380 |
| Industrial Park | 607,315 | | | 607,315 |
| Public Works Authority | 2,216,539 | | | 2,216,539 |
| Total | 2,877,234 | - | - | 2,877,234 |
| Accumulated Depreciation | (680,531) | (84,156) | | (764,687) |
| Net Assets | \$ 2,196,703 | \$ (84,156) | | \$ 2,112,547 |

Town of Boswell
Notes to the Financial Statements
As of and for the Year Ended June 30, 2012

4. Long-term Debt

Proprietary Funds:

On March 1, 2008 the Boswell Public Works Authority issued utility system revenue bonds, series 2008, in the total amount of \$800,000, with semi-annual interest payable on March 1 and September 1, beginning September 1, 2008. Bank of Oklahoma, NA, Oklahoma City, Oklahoma is the trustee bank and registrar for the bond issue. The Boswell Publics Works Authority makes monthly payments to a bond sinking fund at Bank of Oklahoma to pay bond interest and redemption as required. A maturity schedule by bond is listed below:

Maturity Schedule

| Term Bond | Rate | Amount |
|-----------------------------------|--------|----------------|
| Term bonds maturing March 1, 2018 | 4.850% | \$ 135,000 |
| Term bonds maturing March 1, 2026 | 5.500% | 170,000 |
| Term bonds maturing March 1, 2033 | 5.750% | 220,000 |
| Term bonds maturing March 1, 2038 | 5.800% | 275,000 |
| | | <u>800,000</u> |

Cash reserves are required for the bonds and certain notes. For the year just ended, the Town complied with these requirements. Total interest expense on proprietary debt during the year ended June 30, 2012 totaled \$43,180. A summary of the year's debt activity and future debt service requirements to maturity by year is listed below:

Current Year Debt Service:

| Balance 06/30/2011 | Additions | Principal Payments | Balance 06/30/2012 |
|-----------------------|-----------|-----------------------|-----------------------|
| \$ 770,000 | | 15,000 | \$ 755,000 |

Future Debt Service:

Mandatory Redemption Dates

| For the One Year Ended: | Interest | Principal | Balance |
|---------------------------|----------------|----------------|------------|
| June 30, 2013 | \$ 42,253 | \$ 15,000 | \$ 740,000 |
| June 30, 2014 | 41,725 | 15,000 | 725,000 |
| June 30, 2015 | 40,998 | 15,000 | 710,000 |
| June 30, 2016 | 40,270 | 15,000 | 695,000 |
| June 30, 2017 | 39,543 | 15,000 | 680,000 |
| | | | |
| For the Five Years Ended: | | | |
| June 30, 2022 | 185,390 | 90,000 | 590,000 |
| June 30, 2027 | 157,163 | 120,000 | 470,000 |
| June 30, 2032 | 98,850 | 125,000 | 345,000 |
| June 30, 2037 | 79,455 | 195,000 | 150,000 |
| June 30, 2038 | 14,918 | 150,000 | - |
| Totals | <u>740,563</u> | <u>755,000</u> | |

Town of Boswell
Notes to the Financial Statements
As of and for the Year Ended June 30, 2012

5. Defined Benefit Pension Plans

The Town participates in one employee pension system as follows:

Oklahoma Firefighters Pension and Retirement System

Plan Description: The Town contributes to the Oklahoma Firefighters Pension and Retirement System (the System); a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 ET. seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105, or by calling 1-800-525-7461.

Funding Policy: Paid firefighters are required to contribute 8% of covered payroll, with the Town contributing 13% of covered payroll. Volunteer firefighters are not required to contribute, but the Town is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The Town's contribution to the System for the year ended June 30, 2012 of \$900 was equal to the required contribution for each year.

6. Risk Management

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There was no claims activity for the year just ended. The Town also participates in a workers compensation plan that carries a requirement for a self-funded retention level. The workers compensation plan purchases excess workers compensation insurance so the Town's liability is limited to their loss retention level.

7. Commitments and Contingencies

The Town is recipient of various grants. Under the terms of the grants, the Town is subject to program compliance audits by the grantor or their representatives. Accordingly, the Town's compliance with applicable grant requirements will be established at some future date. If future compliance audits result in questioned or disallowed costs, reimbursements will be made to the grantor agencies. The amounts of expenditures that might be disallowed by the grantor agencies cannot be determined at this time; however, management believes such amounts, if any, would be immaterial.

8. Prior Period Adjustment

Recognition of prepaid expenses, current liabilities and taxes receivable for the prior year was not recorded correctly. The net effect of adjusting the balance sheet assets and liabilities accounts increased the net position of the Town of Boswell by \$20,822.

9. Subsequent Events

During 2009 the City adopted FASB ASC 855-10-50, formerly SFAS No. 165, *Subsequent Events*, which is effective for periods ending after June 15, 2009. The new standard reflects the existing principles of current subsequent event accounting guidance and requires disclosure of the date through which the subsequent events have been evaluated. Management performed an evaluation of the City's activity through the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through that date.

dwg, inc. Certified Public Accountant and Consultant

**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**

Independent Auditor's Report

The Town Council,
The Town of Boswell

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Boswell, Oklahoma, as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the Town of Boswell, Oklahoma's basic financial statements, and have issued our report thereon dated August 12, 2014.

Internal Control Over Financial Reporting

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

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

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

consider the deficiencies described in the accompanying schedule of findings and responses as items 2012-1 to be material weaknesses.

Compliance and Other Matters

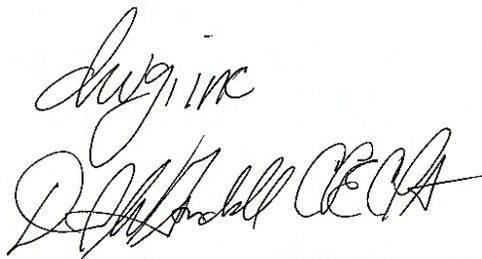
As part of obtaining reasonable assurance about whether The Town of Boswell's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 Boswell's Response to Findings

The Town of Boswell's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Boswell'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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

The image shows two handwritten signatures in black ink. The top signature is a cursive signature that appears to read "dwg, inc". The bottom signature is a more complex cursive signature that appears to read "David W. Gandall CFE, CPA".

dwg, inc.
David W. Gandall, CFE, CPA
August 12, 2014

Town of Boswell
For the Year Ended June 30, 2012

Current Year Finding

2012-1

Criteria

The Town Council should receive accurate financial statements prepared in accordance with accounting principles generally accepted in the United States.

Condition

The Town is not dedicating sufficient resources to properly maintain the financial accounting records of the Town's activities. During our audit we noted fund, inter-fund transfers, and revenues that were posted to incorrect general ledger accounts. For instance, the deposit for a \$1,500 rental payment from Aldridge Electric and Encompass Healthcare was posted in the Accounts Payable account in the General Fund. Since this was a proprietary rental revenue item, it should not have been posted to a liability account in the General Fund but to a revenue account in the Industrial Park Fund. Sales tax transfers from the General Fund to the Police Department Fund were classified as Police Fines Income. Since this is not income but an inter-fund transfer, it should be recorded as such in the Sales Tax Transfer from General Fund account.

Effect

The Town Council and department heads are not being provided accurate financial statements. This compromises budget and actual comparisons and the integrity of financial information for both internal and external purposes.

Recommendation

Proper resources should be devoted to maintaining the Town's financial accounting records. In addition, department heads should review detailed financial information of their departmental activities on a monthly basis and provide input on necessary corrections.

2012-2

Criteria

The Town Council and the management of the Town are responsible for compliance with the requirements of the various grantor agencies that provide the Town with additional funds to enhance or improve the lives of its citizens.

Condition

The Town Council and management have accepted grant funds from grantor agencies and governments for projects that enhance and improve the lives of its citizens. The Town Council and management have not stayed informed of the origin of these funds.

Effect

The Town has received and expended funds from grantor agencies and governments, and is subject to compliance with the project management standards. When these grant funds are received from the United States Government, the financial reporting standards require that a separate schedule of Federal Awards be maintained and identified in the government financial statements. This lack of accounting places the Town in a state of non-compliance with the grant compliance standards.

Recommendation

The Town Council should require that management maintain a current schedule of grant funds applied for, accepted and received by all departments. Department heads should be instructed to assist in maintaining this schedule.

2012-3

Criteria

Oklahoma statute requires city treasurers to report unclaimed intangible property to include, but not be limited to:

1. Outstanding treasury checks, vouchers or warrants that have remained outstanding and unclaimed for a period of one year or more.

Condition

The Town has sixty-four checks that are outstanding and unclaimed for periods exceeding one year. As of June 30, 2012, of these outstanding checks, nine were issued in 2012, seventeen were issued in 2011, and thirty-eight were issued in 2010, 2009 and 2008.

Effect

The Town is not in compliance with Oklahoma law.

Recommendation

Management should be instructed to complete the unclaimed property reporting and remittance procedure in accordance with Oklahoma Statute.

2012-4

Criteria

Oklahoma Statute Title 68, Section 2483 requires Town Councils to formally adopt an annual budget which includes substantially all funds on a basis consistent with guidelines established by the Oklahoma Municipal Code.

Condition

The Town has not adopted a budget for the fiscal year ended June 30, 2012.

Effect

The Town is not in compliance with Oklahoma law.

Recommendation

Management should be instructed to adopt a budget in accordance with Oklahoma Statute.

2012-5

Criteria

The Town Council and management of the Public Works Authority are responsible for maintaining utility services provided to the town customers and accurate records of payments.

Condition

Utilities account receivables on the PWA general ledger isn't reconciled timely to the billing register. Posting errors are not corrected. Sales tax transfer deposits from the General Fund were posted to the accounts receivable account on the PWA general ledger for the months of November, 2011; January and June, 2012. Accounts receivable deposit in January, 2012 was posted to the sales tax transfer in from General Fund on the PWA general ledger.

Effect

The Town has inaccurate financial records that compromise budgetary projections and monthly operations.

Recommendation

The account receivable ledger should be reviewed monthly and reconciled to the general ledger balance account. Deposits to bank should be traced from the accounts receivable ledger to the general ledger account.

Town of Boswell
 Schedule of Expenditures of Grants and Awards
 For the Year Ended June 30, 2012

| Program Title | Project Description | Revenues | Expenditures |
|--|--|------------------|------------------|
| Kiamichi Economic Development District of Oklahoma | Nutrition program operational expenses | 41,548 | 50,975 |
| Department of Forestry | Fire Department operational expenses | 4,413 | 6,428 |
| Choctaw Nation | Fire Department operational expenses | 5,000 | 6,428 |
| Total Awards and Grants | | <u>\$ 50,961</u> | <u>\$ 63,831</u> |

Town of Boswell
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
As of June 30, 2012

| ASSETS | Industrial Park Fund | Public Works Authority Fund | TOTAL |
|---|-------------------------|--------------------------------|-----------|
| Unrestricted cash and cash equivalents | 4,990 | 3,432 | 8,422 |
| Utility billing receivables, net of allowance | 0 | 21,439 | 21,439 |
| Other receivables | | | |
| Restricted | | | |
| Cash and cash equivalents | 0 | 92,773 | 92,773 |
| Bond reserve account | 0 | 58,180 | 58,180 |
| Bond sinking account | 0 | 0 | 0 |
| Bond trust account | 0 | 19,804 | 19,804 |
| Certificates of deposit | 0 | 26,310 | 26,310 |
| Due from other funds | 0 | 1,636 | 1,636 |
| Customer meter deposits | 0 | 28,251 | 28,251 |
| Prepaid insurance | 0 | 1,773 | 1,773 |
| Non-depreciable capital assets | 25,500 | 27,880 | 53,380 |
| Depreciable capital assets | 607,315 | 2,216,539 | 2,823,854 |
| Accumulated depreciation | (92,040) | (672,647) | (764,687) |
| Net depreciable capital assets | 515,275 | 1,543,892 | 2,059,167 |
| Total Assets | 545,765 | 1,825,370 | 2,371,135 |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts payable | 0 | 9,733 | 9,733 |
| Payroll and deductions payable | 0 | 4,085 | 4,085 |
| Due to other funds | 0 | 0 | 0 |
| Accrued interest | 0 | 14,151 | 14,151 |
| Current portion of long-term debt | 0 | 15,000 | 15,000 |
| Total current liabilities | 0 | 42,969 | 42,969 |
| Meter deposits refundable | 0 | 32,693 | 32,693 |
| Long-term debt, less current portion | 0 | 740,000 | 740,000 |
| Total noncurrent liabilities | 0 | 772,693 | 772,693 |
| Total liabilities | 0 | 815,662 | 815,662 |
| Invested in capital assets, net of debt | 515,275 | 803,892 | 1,319,167 |
| Restricted for: | | | |
| Debt service | 0 | 106,235 | 106,235 |
| Unrestricted | 30,490 | 99,581 | 130,071 |
| Total net assets | 545,767 | 1,009,706 | 1,555,473 |
| Total net assets and liabilities | 545,765 | 1,825,370 | 2,371,135 |

The accompanying notes are an integral part of these financial statements

Town of Boswell

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

Proprietary Funds

As of June 30, 2012

| | Industrial Park Fund | Public Works Authority Fund | TOTAL |
|------------------------------------|-------------------------|--------------------------------|-----------|
| Operating revenues | | | |
| Water revenue | 0 | 137,832 | 137,832 |
| Sewer revenue | 0 | 81,424 | 81,424 |
| Sanitation revenue | 0 | 53,380 | 53,380 |
| Rental revenue | 14,152 | 0 | 14,152 |
| Other fees and charges | 0 | 3,866 | 3,866 |
| Interest revenue | 9 | 176 | 185 |
| Capital improvement charges | 0 | 0 | 0 |
| Capital financing | 0 | 0 | 0 |
| Total Revenues | 14,161 | 276,678 | 290,839 |
| Operating expenses | | | |
| Water and Sewer | 0 | 19,862 | 19,862 |
| Sanitation | 0 | 44,657 | 44,657 |
| Personal services | 0 | 133,900 | 133,900 |
| Material and supplies | 0 | 31,859 | 31,859 |
| Other goods and services | 4,593 | 34,978 | 39,571 |
| Other expense | 894 | 694 | 1,588 |
| Debt Service Interest | 0 | 43,180 | 43,180 |
| Total operating expenses | 5,487 | 309,130 | 314,617 |
| Excess operating revenue (deficit) | 8,674 | (32,452) | (23,778) |
| Other income (expense) | | | 0 |
| Investment Income | | | 0 |
| Debt Service Principal | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 |
| Depreciation Expenses | (21,163) | (62,993) | (84,156) |
| | | | 0 |
| Total other income (expense) | (21,163) | (62,993) | (84,156) |
| | | | 0 |
| Income before transfers | (12,489) | (95,445) | (107,934) |
| TRANSFERS IN | 0 | 28,302 | 28,302 |
| TRANSFERS (OUT) | (9,524) | 0 | (9,524) |
| | | | 0 |
| NET INCOME | (22,013) | (67,143) | (89,156) |
| BEGINNING NET ASSETS | 567,780 | 1,079,657 | 1,647,437 |
| Prior period adjustments | 0 | (2,808) | (2,808) |
| ENDING NET ASSETS | 545,767 | 1,009,706 | 1,555,473 |