

TOWN OF BOWLEGS, OKLAHOMA

Annual Financial Statements and Accompanying
Independent Auditor's Report

June 30, 2013

Auditor Firm

**Samuel S Alexander CPA
Wagoner, Oklahoma**

TOWN OF BOWLEGS, OKLAHOMA

JUNE 30, 2013

Board of Trustees

Chairman

Chris Bryan

Vice Chairman

Billy Deck

Trustees

David Anway

Rick Ginn

Kim Haworth

Clerk/Treasurer

Cathy Werner

TOWN OF BOWLEGS, OKLAHOMA

JUNE 30, 2013

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TOWN OF BOWLEGS, OKLAHOMA

JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Bowlegs, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and remaining fund information of the Town of Bowlegs, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Bowlegs, Oklahoma'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 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 standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller 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.

Basis for Qualified Opinion on the Governmental Fund

Management of the Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require capital assets be recorded at historical cost, net of accumulated depreciation. The amount by which this departure would affect the assets, net assets, and expenses of the governmental fund is not readily determinable.

Qualified Opinion

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Governmental Fund", the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and remaining fund information of the Town of Bowlegs, Oklahoma as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the presentation of Management's Discussion & Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such 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 the 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.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bowlegs, Oklahoma's basic financial statements. The budget and actual statement is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budget and actual statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The budget and actual statement, in my opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wagoner, Oklahoma
August 23, 2014

GOVERNMENT - WIDE FINANCIAL STATEMENTS

TOWN OF BOWLEGS, OKLAHOMA
STATEMENT OF NET ASSETS
June 30, 2013

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
ASSETS			
Cash and cash investments	\$ 64,475	\$ 47,561	\$ 112,036
Accounts receivable	4,703	3,190	7,893
CAPITAL ASSETS			
Depreciable buildings, property and equipment, net of depreciation	25,529	52,254	77,783
TOTAL NET ASSETS	94,707	103,005	197,712
LIABILITIES			
Notes payable	12,643	28,793	41,436
NET ASSETS			
Fund balances			
Invested in capital assets, net of related debt	12,886	23,461	36,347
Reserved	-	8,757	8,757
Unreserved	69,178	41,994	111,172
TOTAL NET ASSETS	\$ 82,064	\$ 74,212	\$ 156,276

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

Functions / Programs	Program/ Revenues				Net (Expenses) Revenue
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government					
Personnel services	\$ 19,548	\$ -	\$ -	\$ -	\$ (19,548)
Maintenance and operations	36,393	-	24,763	-	(11,630)
Depreciation	2,972	-	-	-	(2,972)
Total Governmental Activities	58,913	-	24,763	-	(34,150)
Business-Type Activities:					
Water and sewer services	14,073	33,705	-	-	19,632
Interest on debt	1,475	-	-	-	(1,475)
Unallocated depreciation	2,400	-	-	-	(2,400)
Total Business-Type Activities	17,948	33,705	-	-	15,757
Totals	\$ 76,861	\$ 33,705	\$ 24,763	\$ -	\$ (18,393)

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
Net (Expenses) Revenue	\$ (34,150)	\$ 15,757	\$ (18,393)
General Revenues:			
Taxes	22,114	-	22,114
Intergovernmental	12,017	-	12,017
Miscellaneous	93	25	118
Total general revenues and special items	34,224	25	34,249
Changes in net assets	74	15,782	15,856
Net assets, beginning of period	81,990	58,430	140,420
Net assets, end of period	\$ 82,064	\$ 74,212	\$ 156,276

The accompanying notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TOWN OF BOWLEGS, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund
ASSETS	
Cash and investments	
Cash and cash investments	\$ 64,475
Receivables	
Accounts receivable	4,703
Fixed assets	25,529
TOTAL ASSETS	\$ 94,707
 LIABILITIES	
Notes payable	\$ 12,643
 FUND EQUITY	
Fund Balances	
Invested in capital assets, net of related debt	12,886
Unreserved	69,178
Total Fund Equity	82,064
TOTAL LIABILITIES AND FUND EQUITY	\$ 94,707

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General Fund
REVENUES	
Taxes:	
Sales	\$ 15,351
Motor vehicle	2,808
Alcohol beverage	3,036
Gasoline	727
Cigarette and tobacco products	192
	22,114
Franchise fees	12,017
Intergovernmental programs-Fire department grant and income	24,763
Interest and other income	93
	58,987
EXPENDITURES	
Current	
General government	
Personnel services	19,548
Maintenance and operations	36,393
Depreciation	2,972
	58,913
Total expenditures	58,913
Net changes in fund balance	74
Fund balance, beginning of year	81,990
Fund balance, end of year	\$ 82,064

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENTS OF NET ASSETS
June 30, 2013

Total Fund Balances - Total Governmental Funds	\$ 69,178
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Depreciable buildings, property and equipment, net of depreciation and related debt	<u>12,886</u>
Net Assets of Governmental Activities	<u><u>\$ 82,064</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-
WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 74
No adjustments	<u> </u>
Change in Net Assets of Governmental Activities	<u><u>\$ 74</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2013

	Business Type Activities <u>Enterprise Funds</u> Public Works <u>Authority</u>
ASSETS	
Cash and investments	
Cash	\$ 38,804
Reserve account	8,757
Receivables	
Accounts receivable	3,190
CAPITAL ASSETS	
Depreciable property and equipment, net of depreciation	<u>52,254</u>
TOTAL ASSETS	<u><u>103,005</u></u>
LIABILITIES	
Note payable	<u>28,793</u>
RETAINED EARNINGS	
Retained earnings:	
Invested in capital assets, net of related debt	23,461
Restricted	8,757
Unrestricted	<u>41,994</u>
	<u>74,212</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u><u>\$ 103,005</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2013

	Business Type Activities <u>Enterprise Funds</u> Public Works <u>Authority</u>
REVENUES	
Water & sewer revenue	<u>\$ 33,705</u>
UTILITY OPERATIONS EXPENSE	
Water & sewer service	14,073
Depreciation	2,400
Interest expense	<u>1,475</u>
Total operations expense	<u>17,948</u>
INCOME BEFORE NON-OPERATING REVENUES, EXPENSES AND TRANSFERS	15,757
NON OPERATING REVENUES (EXPENSE)	
Interest	<u>25</u>
NET INCOME	15,782
Retained earnings, beginning of year	<u>58,430</u>
Retained earnings, end of year	<u><u>\$ 74,212</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2013

	Business Type Activities <u>Enterprise Funds</u> Public Works <u>Authority</u>
Cash flows from operating activities:	
Cash received from customers and service users	\$ 33,215
Cash payments for goods, services and employees	<u>(15,548)</u>
Net cash provided by operating activities	<u>17,667</u>
Cash flows from capital and related financing activities:	
Debt principal paid	(5,605)
Interest received	<u>25</u>
	<u>(5,580)</u>
Net increase (decrease) in cash	12,087
Cash balance, beginning of period	<u>35,474</u>
Cash balance, end of period	<u><u>\$ 47,561</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 15,757
Adjustments to reconcile operating income to net cash provided:	
Changes in assets and liabilities:	
Depreciation	2,400
Increase in receivables	<u>(490)</u>
Total adjustments	<u>1,910</u>
Net cash provided by operating activities	<u><u>\$ 17,667</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF BOWLEGS, OKLAHOMA
Notes to Financial Statements
June 30, 2013

Note 1-Summary of Significant Accounting Policies

The Town of Bowlegs, Oklahoma (the “Town”) complies with 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 fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied to the extent they are applicable to the basis of accounting used, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Town will only report infrastructure acquired after June 30, 2003.

A. Reporting Entity

The Town is organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a five-member Board of Trustees. The trustees elect a chairman from their own body. The Town provides the following services as authorized by its charter: General government, public safety (fire), streets, public works (water, sewer & refuse) and public improvements.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the Town and its component units and trusts, entities for which the Town is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the Town’s operations and so data from these units are combined with the data of the primary government.

Blended Component Units/Trusts:

The Bowlegs Public Works Authority (BPWA) was created pursuant to a trust indenture for the benefit of the Town. BPWA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remove water and sewer facilities for the Town. The water, sanitary sewer and solid waste disposal systems owned by the Town have been leased to BPWA until such date that all indebtedness of the Authority is retired or provided for. BPWA is a public entity and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 2001, Section 176 et seq., and is governed by a board consisting of five trustees identical with the Town Council. BPWA is exempt from Federal and state income taxes, and is reported as an enterprise fund.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The Town’s basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-Wide Financial Statements – The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, excluding fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those considered business activities.

TOWN OF BOWLEGS, OKLAHOMA
Notes to Financial Statements
June 30, 2013

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

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 three major categories: governmental, proprietary and 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.

Fund Accounting – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: Governmental, proprietary and fiduciary.

Governmental Funds – Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are generally recorded when the related fund liability is incurred, with exceptions for unmatured interest on general long-term debt recognized when due, and certain compensated absences and claims and judgments recognized when the obligations are expected to be liquidated with expendable available financial resources.

Gasoline excise and motor vehicle taxes collected and held by the state and county at year-end on behalf of the Town are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise fees, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

TOWN OF BOWLEGS, OKLAHOMA
Notes to Financial Statements
June 30, 2013

B. Measurement Focus, Basis of Accounting and Basis of Presentation-Fund Accounting (Continued)

General Fund - is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary Funds – Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20, the town has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds – are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds – are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Town. Agency funds are generally used to account for assets that the Town holds on behalf of others as their agent.

C. Assets, Liabilities and Equity

Deposits and Investments

Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States.

For financial statement presentation and 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 certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered investments.

Fair Value of Financial Instruments

The Town's financial instruments include cash and cash equivalents, investments and accounts receivable. The Town's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

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.

TOWN OF BOWLEGS, OKLAHOMA
Notes to Financial Statements
June 30, 2013

C. Assets, Liabilities and Equity (Continued)

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/due to other funds”

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary accounts. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statements of net assets and in the respective funds.

All reported capital assets in the proprietary fund are depreciated except construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town’s historical records of necessary improvements and replacements. Land has not been included which is a variance from accounting principles generally accepted in the United States of America.

The financial statements of Bowlegs Public Works Authority include property and equipment. Depreciation was not charged until the 2009-2010 year, which included prior period depreciation.

Depreciation is computed using the straight-line method over the following estimated useful lives in years:

Description	<u>Estimated useful lives</u>	
	Governmental	Business-type
Buildings	40-100	40-100
Furniture, fixtures & equipment	10-100	10-100
Land improvements	10-100	10-100
Vehicles	5-40	5-40
Infrastructure	40-100	40-100

The Town and the Bowlegs Public Works Authority have not maintained accurate capital assets records to support the historical cost of past capital asset purchases.

Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation time. Full time and part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure. The expense and related liability for vested vacation benefits and compensatory time is not recorded in the respective funds of the Town or its component unit.

TOWN OF BOWLEGS, OKLAHOMA
Notes to Financial Statements
June 30, 2013

C. Assets, Liabilities and Equity (Continued)

Long-Term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending “financial flow” measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spending resources”. Governmental fund operating statements present increases (revenues and other financial resources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of “available spending resources” during a period.

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Net Assets

Reservations of fund balance represent amounts that are legally restricted for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans subject to change. The proprietary funds contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or funds.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information

The Town is required by state law to prepare an annual budget. Under current Oklahoma Statutes, a formal Estimate of Needs (Budget) is required for the general fund and special revenue funds. Budgets are presented for the general fund that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. The Town had no special revenue funds at June 30, 2013.

The annual Estimate of Needs, when approved by the Town Council and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, are made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund - vs. utilized in all governmental funds of the Town. Purchase orders or contracts document encumbrances for goods and purchased services. Unencumbered appropriations lapse at year end under Oklahoma law.

TOWN OF BOWLEGS, OKLAHOMA
Notes to Financial Statements
June 30, 2013

Note 3 – Funds Detail

Deposits and Investments

The Town’s cash deposits, including interest bearing certificates of deposit, are entirely covered by Federal Deposit Insurance Corporation or direct obligations of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town’s name.

Capital Assets

Capital assets consist of the following.

	Balance at <u>7/1/2012</u>	<u>Additions</u>	Balance at <u>6/30/2013</u>
Governmental Activities			
Buildings & Equipment	\$ 26,512	5,835	32,347
Less accumulated depreciation	<u>-3,846</u>	<u>- 2,972</u>	<u>-6,818</u>
	<u>22,666</u>	<u>- 2,863</u>	<u>25,529</u>
Proprietary Activities			
Lagoon system	120,000		120,000
Less accumulated depreciation	<u>-65,346</u>	<u>-2,400</u>	<u>-67,746</u>
	<u>\$ 54,654</u>	<u>-2,400</u>	<u>52,254</u>

Long Term Debt

The Town of Bowlegs has one note payable at 4.99% with monthly payments of \$269.87. The principal balance at June 30, 2013 is \$ 15,293.

The Bowlegs Public Works Authority has one note payable at 5%, with monthly payments of \$590. The principal balance at June 30, 2013 is \$34,398. Both loans are collateralized by equipment purchased with loan proceeds.

The estimated principal and interest payments are detailed as follows.

Year Ended	Principal	Interest	Totals
6/30/14	\$ 8,565	1,755	10,320
6/30/15	9,005	1,315	10,320
6/30/16	9,462	858	10,320
6/30/17	10,578	387	10,965
Thereafter	<u>3,826</u>	<u>68</u>	<u>3,894</u>
	<u>\$ 41,436</u>	<u>4,383</u>	<u>45,819</u>

TOWN OF BOWLEGS, OKLAHOMA
Notes to Financial Statements
June 30, 2013

Note 4 – Authorities

Bowlegs Public Works Authority (a Blended Component Unit)

UTILITY OPERATIONS

The operations of the utility departments of the Town (water, sewer and refuse) were transferred to the Bowlegs Public Works Authority. The Public Works Authority provides utility services for its customers including the Town of Bowlegs and its related departments.

Note 5 – Subsequent Events

Subsequent events have been evaluated through the financial statement issuance date of August 23, 2014, with no items noted for reporting.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BOWLEGS, OKLAHOMA
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET VS. ACTUAL-GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

		General Fund			
		Original	Final		Variance
		<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues					
Taxes	\$ 25,000	\$ 25,000	\$ 22,114		\$ (2,886)
Intergovernmental	22,000	22,000	36,780		14,780
Miscellaneous	1,000	1,000	93		(907)
Total revenues	48,000	48,000	58,987		10,987
Expenditures					
Current					
General government					
Personnel	18,000	18,000	19,548		(1,548)
Maintenance	45,000	45,000	36,393		8,607
Depreciation	-		2,972		(2,972)
Total expenditures	63,000	63,000	58,913		4,087
Excess of revenues over (under) expenditures					
	<u>\$ (15,000)</u>	<u>\$ (15,000)</u>	74		<u>\$ 15,074</u>
Fund balance, beginning of year					
			<u>81,990</u>		
Fund balance, end of year					
			<u>\$ 82,064</u>		

The accompanying notes to the financial statements are an integral part of this statement.

**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***

Members of the Board of Trustees
Town of Bowlegs, Oklahoma

I have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Bowlegs, Oklahoma (the “Town”), as of and for the year ended June 30, 2013, which collectively comprise the Town’s basic financial statements, and have issued my report dated August 23, 2014. My report included an explanatory paragraph stating that the financial statements presented only the financial information of the Town. My report also included an explanatory paragraph related to the required supplementary information. I conducted my 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.

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 financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 10-01. A material weakness is a reportable 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 fraud or error 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses including the reportable condition described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town’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*.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
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This report is intended for the information and use of management and members of the Board of Trustees of the Town of Bowlegs, Oklahoma, and is not intended to be and should not be used by anyone other than these specified parties.

August 23, 2014

Town of Bowlegs, Oklahoma
Schedule of Findings
Period ended June 30, 2013

Reportable Conditions of Internal Control

10-01 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 receipts also posts payments and adjustments to subsidiary ledgers. Additionally the same individual prepares cash disbursements and reconciles the bank accounts. The same individual enters cash transactions into the general ledger and maintains the accounting system.

Cause: The Town's limited 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 detected within a timely basis.

Recommendation: Efficient segregation of duties in a small governmental 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.

As of June 30, 2013, Segregation of Duties continues to be an issue. At some point in the near future, the responsible parties should avail themselves of training on these kinds of detail.