

TOWN OF CLAYTON, OKLAHOMA
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND
SUPPLEMENTAL DATA FOR THE
TWELVE MONTHS ENDED JUNE 30, 2011

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Eufaula, Oklahoma 74432

**TOWN OF CLAYTON
CLAYTON, OKLAHOMA
JUNE 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Town of Clayton
Clayton, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton as of and for the year ending June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Clayton's management. My responsibility is to express opinions on these financial statements based on my audit.

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

As discussed in the Note 1, the Town of Clayton has not maintained complete detail records relating to the amounts reported for capital assets, depreciation expense, and accumulated depreciation in the governmental activities and business-type activities. As a result, I was unable to obtain and examine sufficient evidence supporting the amounts reported for capital assets and the related accounts of the governmental activities and business-type activities.

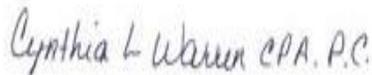
Also as discussed in Note 1, the Town of Clayton's original financial information was not available, including the general ledger and supporting documents. The Town of Clayton's personnel re-created the general ledger but some information was not available and it is currently unknown as to the location of the original financial information.

In my opinion, except for the effects of any adjustments, if any, as might have been determined to be necessary had complete capital asset detail records been maintained, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton as of June 30, 2011, 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.

The Town of Clayton has not presented the Management's Discussion and Analysis as required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information; however, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued a report dated April 10, 2016 on my consideration of the Town of Clayton'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 on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of this audit.



Cynthia L Warren CPA, P.C.
Eufaula, OK
April 10, 2016

TOWN OF CLAYTON, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 67,548	\$ 96,705	\$ 164,253
Accounts Receivable, Net	23,968	26,825	50,793
Due from Other Funds	1,291	3,803	5,094
Accrued Interest Receivable	<u>-</u>	<u>20</u>	<u>20</u>
Total Current Assets	<u>92,807</u>	<u>127,353</u>	<u>220,160</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents, Customer Deposits	-	10,469	10,469
Restricted Cash and Cash Equivalents, Debt Reserve	-	5,646	5,646
Investments	41,261	18,533	59,794
Restricted Investments, Customer Deposits	-	13,619	13,619
Capital Assets, Net of Depreciation	<u>265,067</u>	<u>1,041,782</u>	<u>1,306,849</u>
Total Assets	<u>\$ 399,135</u>	<u>\$ 1,217,402</u>	<u>\$ 1,616,537</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts Payable	\$ 8,181	\$ 10,775	\$ 18,956
Accrued Interest Payable	-	124	124
Due to Other Funds	9,993	-	9,993
Notes Payable, Current	<u>-</u>	<u>4,294</u>	<u>4,294</u>
Total Current Liabilities	<u>18,174</u>	<u>15,193</u>	<u>33,367</u>
Noncurrent Liabilities:			
Customer Deposits Payable	-	21,900	21,900
Notes Payable	<u>-</u>	<u>216,493</u>	<u>216,493</u>
Total Noncurrent Liabilities	<u>-</u>	<u>238,393</u>	<u>238,393</u>
Total Liabilities	<u>18,174</u>	<u>253,586</u>	<u>271,760</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	265,067	820,995	1,086,062
Restricted Net Assets	-	5,646	5,646
Unrestricted Net Assets	<u>115,894</u>	<u>137,175</u>	<u>253,069</u>
Total Net Assets	<u>380,961</u>	<u>963,816</u>	<u>1,344,777</u>
Total Liabilities and Net Assets	<u>\$ 399,135</u>	<u>\$ 1,217,402</u>	<u>\$ 1,616,537</u>

See accompanying notes to the basic financial statements.

Exhibit B

**TOWN OF CLAYTON, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE TWELVE MONTHS ENDED JUNE 30, 2011**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Assets</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Governmental Activities:							
General Government	\$ 169,002	\$ -	\$ -	\$ -	\$ (169,002)	\$ -	\$ (169,002)
Police	171,358	15,239	-	-	(156,119)	-	(156,119)
Fire	17,216	-	4,398	-	(12,818)	-	(12,818)
Community Service	10,445	-	-	-	(10,445)	-	(10,445)
Street and Alley	35,494	-	4,613	-	(30,881)	-	(30,881)
Cemetery	-	-	-	-	-	-	-
Ambulance	<u>122,104</u>	<u>94,465</u>	<u>-</u>	<u>113,000</u>	<u>85,361</u>	<u>-</u>	<u>85,361</u>
Total Governmental Activities	<u>525,619</u>	<u>109,704</u>	<u>9,011</u>	<u>113,000</u>	<u>(293,904)</u>	<u>-</u>	<u>(293,904)</u>
Business-type Activities:							
Water & Sewer	310,233	226,053	-	-	-	(84,180)	(84,180)
Sanitation	<u>36,276</u>	<u>38,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,035</u>	<u>2,035</u>
Total Business-type Activities	<u>346,509</u>	<u>264,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(82,145)</u>	<u>(82,145)</u>
Total	<u>\$ 872,128</u>	<u>\$ 374,068</u>	<u>\$ 9,011</u>	<u>\$ 113,000</u>	<u>\$ (293,904)</u>	<u>\$ (82,145)</u>	<u>\$ (376,049)</u>

See accompanying notes to the basic financial statements.

**TOWN OF CLAYTON, OKLAHOMA
STATEMENT OF ACTIVITIES, CONTINUED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2011**

	Net (Expenses) Revenue and Changes in Net Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Program Revenues:			
Expenses (Over) Under Revenues	<u>(293,904)</u>	<u>(82,145)</u>	<u>(376,049)</u>
General Revenues:			
Taxes:			
Sales Tax	311,828	50,927	362,755
Franchise Tax	16,603	-	16,603
Other	4,818	-	4,818
Intergovernmental - State Alcohol Beverage Tax	25,529	-	25,529
Investments Earnings	584	194	778
Miscellaneous	<u>31,760</u>	<u>5,193</u>	<u>36,953</u>
Total General Revenues	<u>391,122</u>	<u>56,314</u>	<u>447,436</u>
Changes in Net Assets	97,218	(25,831)	71,387
Interfund Transfers	(7,003)	-	(7,003)
Net Assets at Beginning of Year	<u>290,746</u>	<u>989,647</u>	<u>1,280,393</u>
Net Assets at End of Year	<u>\$ 380,961</u>	<u>\$ 963,816</u>	<u>\$ 1,344,777</u>

See accompanying notes to the basic financial statements.

**TOWN OF CLAYTON, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General Fund</u>	<u>Restricted Sales Tax</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 8,313	\$ 13,849	\$ 45,386	\$ 67,548
Investments	-	-	41,261	41,261
Accounts Receivable, Net	16,127	4,899	2,942	23,968
Due from Other Funds	<u>-</u>	<u>-</u>	<u>1,291</u>	<u>1,291</u>
Total Current Assets	<u>\$ 24,440</u>	<u>\$ 18,748</u>	<u>\$ 90,880</u>	<u>134,068</u>
LIABILITIES AND FUND BALANCES				
Accounts Payable & Accrued Liabilities	3,339	4,057	785	8,181
Due to Other Funds	<u>9,993</u>	<u>-</u>	<u>-</u>	<u>9,993</u>
Total Current Liabilities	<u>13,332</u>	<u>4,057</u>	<u>785</u>	<u>18,174</u>
Fund Balances:				
Unreserved Fund Balance	<u>11,108</u>	<u>14,691</u>	<u>90,095</u>	<u>115,894</u>
Total Fund Balances	<u>11,108</u>	<u>14,691</u>	<u>90,095</u>	<u>115,894</u>
Total Liabilities and Fund Balances	<u>\$ 24,440</u>	<u>\$ 18,748</u>	<u>\$ 90,880</u>	
Capital Assets, net of accumulated depreciation, used in Governmental Activities are not current financial resources and therefore are not reported in the governmental funds.				<u>265,067</u>
Net Assets of Governmental Activities				<u>\$ 380,961</u>

See accompanying notes to the basic financial statements.

**TOWN OF CLAYTON, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Restricted Sales Tax</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 231,952	\$ 84,548	\$ 42,278	\$ 358,778
Charges for Ambulance	-	94,465	-	94,465
Intergovernmental -				
State Gas Excise and Vehicle Tax	-	-	4,613	4,613
Traffic Fines	15,239	-	-	15,239
Miscellaneous	28,541	-	3,219	31,760
Capital Grants - USDA	93,000	-	-	93,000
Operating Grants - Fire	4,398	-	-	4,398
Donations	20,000	-	-	20,000
Interest	70	-	514	584
Total Revenues	<u>393,200</u>	<u>179,013</u>	<u>50,624</u>	<u>622,837</u>
Current Expenditures:				
General Government:				
Personal Services	29,509	-		29,509
Maintenance and Operations	97,796	-		97,796
Police:				
Personal Services	134,795	-		134,795
Maintenance and Operations	-	36,563		36,563
Fire				
	-	17,216		17,216
Community Service				
	-	10,445		10,445
Street and Alley:				
Personal Services	-	-	29,541	29,541
Maintenance and Operations	-	-	5,953	5,953
Ambulance:				
Personal Services	-	68,369		68,369
Maintenance and Operations	-	53,735		53,735
Capital Outlay	<u>121,795</u>	<u>-</u>		<u>121,795</u>
Total Expenditures	<u>383,895</u>	<u>186,328</u>	<u>35,494</u>	<u>605,717</u>
	9,305	(7,315)	15,130	17,120
Other Financing Sources and Uses:				
Transfers - Interfund	(7,003)	-	-	(7,003)
Net Change in Fund Balance	<u>2,302</u>	<u>(7,315)</u>	<u>15,130</u>	<u>10,117</u>
Fund Balance, Beginning	<u>8,806</u>	<u>22,006</u>	<u>74,965</u>	<u>105,777</u>
Fund Balance, Ending	<u>\$ 11,108</u>	<u>\$ 14,691</u>	<u>\$ 90,095</u>	<u>115,894</u>
Adjustments for the Statement of Activities:				
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount of capital outlay less capital disposals and depreciation expense in the current period.				<u>80,098</u>
Change in Net Assets				<u>\$ 90,215</u>

See accompanying notes to the basic financial statements.

TOWN OF CLAYTON, OKLAHOMA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2011

	Total Enterprise Funds
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 96,705
Accounts Receivable, Net	26,825
Due from Other Funds	3,803
Accrued Interest Receivable	<u>20</u>
Total Current Assets	<u>127,353</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents, Customer Deposits	10,469
Restricted Cash and Cash Equivalents, Debt Reserve	5,646
Investments	18,533
Restricted Investments, Customer Deposits	13,619
Capital Assets, Net of Depreciation	<u>1,041,782</u>
Total Assets	<u>\$ 1,217,402</u>
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 10,775
Accrued Interest Payable	124
Notes Payable, Current Portion	<u>4,294</u>
Total Current Liabilities	<u>15,193</u>
Noncurrent Liabilities:	
Customer Deposits Payable	21,900
Notes Payable, Less Current Maturities	<u>216,493</u>
Total Noncurrent Liabilities	<u>238,393</u>
Total Liabilities	<u>253,586</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	820,995
Restricted Net Assets	5,646
Unrestricted Net Assets	<u>137,175</u>
Total Net Assets	<u>963,816</u>
Total Liabilities and Net Assets	<u>\$ 1,217,402</u>

See accompanying notes to the basic financial statements.

**TOWN OF CLAYTON, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Total Enterprise Funds
Operating Revenues:	
Charges for Services - Water	\$ 166,186
Charges for Services - Sewer	59,867
Charges for Services - Sanitation	38,311
Miscellaneous	5,193
Total Revenues	269,557
Operating Expenses:	
Salaries and Wages	53,139
Water Cost	68,580
Sanitation	36,276
Maintenance	4,897
Materials and Supplies	8,679
Other Services and Charges	14,345
Insurance	3,602
Professional Fees	18,487
Utilities	3,190
Depreciation	124,482
Total Expenditures	335,677
Net Operating Income	(66,120)
Non-operating Revenue(Expense)	
Transfer for Sales Tax	50,927
Investment Income	194
Interest Expense	(10,832)
Total Non-operating Revenue(Expense)	40,289
Increase (Decrease) in Net Assets	(25,831)
Net Assets, Beginning	989,647
Net Assets, Ending	\$ 963,816

See accompanying notes to the basic financial statements.

**TOWN OF CLAYTON, OKLAHOMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Total Enterprise Funds
Cash Flows from Operating Activities:	
Receipts from Customers	259,027
Receipt of Other Income	5,193
Payments to Employees	(54,603)
Payments to Suppliers and Vendors	<u>(152,967)</u>
Net Cash Provided (Used) by Operating Activities	<u>56,650</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Paid on Long-term Debt	(4,087)
Interest Paid on Long-term Debt	<u>(10,805)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(14,892)</u>
Cash Flows from Investing Activities:	
Net Change in Investments	(240)
Transfer in for Sales Tax	50,927
Receipts of Interest Income	<u>194</u>
Net Cash Provided (Used) from Investing Activities	<u>50,881</u>
Net Increase (Decrease) in Cash and Cash Equivalents	92,639
Cash and Cash Equivalents, Beginning	<u>20,181</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 112,820</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	<u>\$ (66,120)</u>
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	124,482
Change in Assets and Liabilities:	
Accounts Receivable	(5,337)
Accounts Payable	<u>3,625</u>
Total Adjustments	<u>122,770</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 56,650</u></u>

See accompanying notes to the basic financial statements.

TOWN OF CLAYTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as discussed in another paragraph of this note, the accounting and reporting policies of the Town of Clayton (the Town) relating to the fund types included in the financial statements conform to generally accepted accounting principles prescribed by the Governmental Accounting Standards Board. The following represent the more significant accounting and reporting policies and practices of the Town.

Reporting Entity

The Town of Clayton, for financial reporting purposes, includes all funds and authorities over which the Town Board has financial accountability as defined by GASB-14 and GASB-39. Financial accountability was determined on the basis of the Town's ability to significantly influence operations, select the governing authority, and participate in fiscal management and scope of public service. On this basis, the reporting entity of the Town of Clayton includes all its funds as well as the funds and accounts of the blended component unit; the Clayton Public Works Authority.

The Clayton Public Works Authority is a public trust created October 12, 1951 under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1961, and Sections 176 to 180, for the use and benefit of the Town of Clayton. The trust has as its purpose to budget, construct, plan, establish, install, enlarge, improve, equip, operate, control and regulate facilities, whether water, sewer, gas, electric or other forms or types of public and municipal services within and without the corporate boundaries of the Town of Clayton. The Town council members of the Town of Clayton act as trustees of the Authority.

Basis of Presentation

The Town of Clayton did not have available the original financial statement information, including the general ledger, and supporting documentation for the Town of Clayton and the Clayton Public Works. Subsequent to June 30, 2011, the Town of Clayton obtained copies of supporting documentation, where available, and re-created the general ledger. Some supporting documentation was not available.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for the fiduciary funds of which the Town has none. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The funds of the financial reporting entity are described below:

**TOWN OF CLAYTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Governmental Funds:

General Fund - The general fund is the primary operating fund of the Town and always classified as a major fund. This fund accounts for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund - These funds are used to account for the revenues derived from specific taxes, governmental grants, or other revenue sources which are designated to finance particular functions or activities of the Town. The Town's special revenue funds consist of the following funds:

- Street & Alley – accounts for gasoline excise tax and commercial vehicle tax restricted by State law for street and alley improvements, and 25% of sales tax revenue, which is legally restricted by voter election.
- Ambulance Fund – accounts for ambulance service revenues administratively designated for the operation of the ambulance service.
- Restricted Sales Tax Fund – accounts for revenues of a one-cent sales tax legally restricted by voter election for expenditures related to fire, police, animal control, and ambulance.

Proprietary Fund Types:

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Town's Enterprise fund consists of the following funds: Clayton Public Works Authority – which accounts for the activities of the public trust in providing water, sewer, and solid waste services to the public.

Fiduciary Funds:

The Town's fiduciary funds are used to report net assets and changes therein of assets held by the Town in a trustee or fiduciary capacity. These net assets are not available to operations of the Town. The Town reports one type of fiduciary fund which includes the agency fund. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations. The town's agency fund is the Municipal Court Fund which accounts for municipal court bonds held pending case resolution and state assessed fees held for remittance to the State.

TOWN OF CLAYTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Measurement Focus and Basis of Accounting

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

The government-wide financial statements and proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Capital assets and long-term debt are not reported in governmental fund financial statements because they do not involve current financial resources.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

Budget Process

Annually a legally adopted budget is prepared for the General Fund and other governmental funds and an operating budget forecast is prepared for the Public Works Authority Funds. The budgets are formally approved by the Board of Trustees before filing with the State of Oklahoma. Actual expenditures within the General Fund may not legally exceed the adopted budget appropriations at the object category level within the department of a fund.

Assets, Liabilities, and Equity

Cash and Cash Equivalents:

For the purpose of the Statement of Net Assets, and the proprietary funds Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit with an original maturity of three months or less.

Investments:

Investments consist of long-term certificates of deposits and are stated at cost, which approximates market unless otherwise indicated with a maturity at the time of purchase of more than three months.

Receivables:

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivables.

TOWN OF CLAYTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that result in amounts being owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.”

Restricted Assets:

Under the terms of the loan agreements, the Clayton Public Works Authority must maintain certain "funds". These are not funds in the sense of fiscal and accounting entities with self-balancing sets of accounts; they merely represent mandatory asset segregation. The primary restricted assets are related to loan reserves and utility meter deposits.

Capital Assets:

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements:

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. There is no available detail capital asset records for the governmental activities or the business-type activities that contain a complete detail of all property and equipment still in service, therefore, the capital assets reported in the financial statements represent estimates of costs of assets still in service.

The Town’s governmental activities’ infrastructure assets have not been capitalized. These assets are not reported on the statement of net assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follow:

Buildings	20 - 100 years
Improvements	20 - 100 years
Machinery and Equipment	3 - 25 years
Infrastructure	25 - 50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-term Debt:

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable.

**TOWN OF CLAYTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Compensated Absences:

It is the Town's policy to allow permanent and full-time employees to accumulate earned but unused vacation and sick pay benefits up to certain limits. These amounts accrued, for which the employee is vested that would be paid upon termination, are charged to expense and a corresponding liability is established when earned. The portion of the liability that is anticipated to be paid within the next fiscal year is reported as a current liability, while the remainder is reported as a long-term liability.

Equity Classifications:

Government-wide Statements

Equity is classified as net assets and displayed in the following components:

- A. 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 improvement of those assets.
- B. Restricted Net Assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
- C. Unrestricted Net Assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund Balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Revenues, Expenditures, and Expenses

Sales Tax:

The Town is currently receiving sales tax on each dollar. The sales tax is recorded as revenue within the General Fund, Street and Alley Fund, Restricted Sales Tax Fund, and Clayton Public Works Authority. Effective October 1, 2010, the Town of Clayton had an increase in Sales Tax changing the rate from 3% to 4%. This sales tax is allocated as follows:

- General Fund – 37.5%
- Street and Alley Fund – 12.5%
- Restricted Sales Tax Fund – 25%
- Clayton Public Works Authority – 25%

Operating Revenues and Expenses:

Operating revenues and expenses for proprietary funds are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

**TOWN OF CLAYTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued*Expenditures/Expenses:*

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Government Funds - By Character
 - Current
 - Capital Outlay
- Proprietary Fund - By Operating and Nonoperating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Interfund receivables and payables arise from Interfund transactions and are recorded by all programs affected in the period in which the transactions are executed. These receivables and payables within the same fund type are eliminated for presentation of the financial statements in the government-wide statements. Net receivables and payables between governmental activities and business-type activities are reported as internal balances and internal transfers.

NOTE 2 - CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS

The Town of Clayton is governed by the deposit and investment limitations of state law. The deposits and investments held at June 30, 2011, and reported at fair value are as follow:

<u>TYPE</u>	<u>Carrying Value</u>
Deposits:	
Demand Deposits	\$ 180,368
Investments:	
Certificates of Deposit	<u>73,413</u>
Total Deposits and Investments	<u>\$ 253,781</u>
Reconciliation to Statement of Net Assets:	
Cash and Cash Equivalents	\$ 164,253
Restricted Cash and Cash Equivalents, Customer Deposits	10,469
Restricted Cash and Cash Equivalents, Debt Reserve	5,646
Investments	59,794
Restricted Investments, Debt Reserve	<u>13,619</u>
	<u>\$ 253,781</u>

Custodial Credit Risk - State law governs the requirements for managing custodial credit risk. Such law requires uninsured deposits to be secured with collateral having market value at least equal to the amount of uninsured deposits. Deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had a bank balance of \$242,531 at June 30, 2011, which was fully insured by depository insurance or secured with collateral held by the Town's agent in its name. All investments, evidenced by individual securities, are registered in the name of the Town or one of its component units.

TOWN OF CLAYTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 - CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS,
Continued

Investment Interest Rate Risk - The Town has no formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at June 30, 2011 are provided in the schedule above. Nonnegotiable certificates of deposit are not subject to interest rate risk, therefore their maturity dates are not provided.

Investment Credit Risk - The Town has no investment policy which limits its investment choices other than the limitation of state law as follows:

- 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 is pledged.
- 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 limitation, 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 trust 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 SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

Concentration of Investment Credit Risk - The Town places no limit on the amount it may invest in any one issuer. At June 30, 2011, the Town had limited concentration of credit risk.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable in the enterprise fund represent utility billings at June 30, 2011. As of this date, no allowance is considered necessary. In the governmental funds, accounts receivable represents receivables for taxes and miscellaneous receivables.

**TOWN OF CLAYTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
<i>Governmental Activities:</i>				
Buildings	\$ -	\$ -	\$ -	\$ -
Machinery and Equipment	<u>330,860</u>	<u>121,795</u>	<u>-</u>	<u>452,655</u>
	<u>330,860</u>	<u>121,795</u>	<u>-</u>	<u>452,655</u>
Less: Accumulated Depreciation				
Buildings	-	-	-	-
Machinery and Equipment	<u>145,891</u>	<u>41,697</u>	<u>-</u>	<u>187,588</u>
Total Accumulated Depreciation	<u>145,891</u>	<u>41,697</u>	<u>-</u>	<u>187,588</u>
	<u>184,969</u>	<u>80,098</u>	<u>-</u>	<u>265,067</u>
<i>Business-type Activities:</i>				
Non-depreciation Assets:				
Land	<u>256,894</u>	<u>-</u>	<u>-</u>	<u>256,894</u>
Depreciable Assets:				
Machinery and Equipment	2,627,837	-	-	2,627,837
Buildings	<u>10,150</u>	<u>-</u>	<u>-</u>	<u>10,150</u>
	<u>2,637,987</u>	<u>-</u>	<u>-</u>	<u>2,637,987</u>
	<u>2,894,881</u>	<u>-</u>	<u>-</u>	<u>2,894,881</u>
Less: Accumulated Depreciation				
Buildings	3,385	677	-	4,062
Water and Sewer System	<u>1,725,232</u>	<u>123,805</u>	<u>-</u>	<u>1,849,037</u>
Total Accumulated Depreciation	<u>1,728,617</u>	<u>124,482</u>	<u>-</u>	<u>1,853,099</u>
	<u>1,166,264</u>	<u>(124,482)</u>	<u>-</u>	<u>1,041,782</u>
	<u>\$1,351,233</u>	<u>\$ (44,384)</u>	<u>\$ -</u>	<u>\$1,306,849</u>

TOWN OF CLAYTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following debts owed by the Clayton Public Works Authority. A summary of long-term debt follows:

Note payable to Rural Development at 5% interest rate, payable in monthly installments of \$536, including interest with a balance due of \$83,283 and final payment due in year 2032.

Note payable to Rural Development at 4.75% interest rate, payable in monthly installments of \$705, including interest with a balance due of \$137,504 and final payment due September 2043.

	<i>Balance</i>			<i>Balance</i>	<i>Due in</i>
	<u>6/30/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2011</u>	<u>One Year</u>
<i>Business-type Activities:</i>					
Rural Development	\$ 224,874	\$ -	\$ 4,087	\$ 220,787	\$ 4,294

Maturities of long-term debt are as follow:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>Payments</u>	<u>Payments</u>	
2012	4,294	10,598	14,892
2013	4,509	10,383	14,892
2014	4,734	10,158	14,892
2015	4,971	9,921	14,892
2016	5,219	9,673	14,892
2017 to 2021	30,278	44,182	74,460
2022 to 2026	38,639	35,821	74,460
2027 to 2031	49,310	25,150	74,460
2032 to 2036	33,669	14,371	48,040
2037 to 2041	35,574	6,726	42,300
2042 to 2043	<u>9,590</u>	<u>284</u>	<u>9,874</u>
	<u>\$ 220,787</u>	<u>\$ 177,267</u>	<u>\$ 398,054</u>

**TOWN OF CLAYTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 - LITIGATION

Although the Town and Authority have the potential for claims and/or litigations, the Town believes that neither the Town nor the Authority have pending claims or lawsuits against them as of June 30, 2011 in which the outcome of which would result in a material liability or damage claim which would not be covered by insurance.

NOTE 7 - CONTINGENCIES

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to the federal grantors and/or program beneficiaries.

NOTE 8 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions injuries to employees; and natural disasters for which the Housing Authority purchases commercial insurance.

Management believes this coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 9 – EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The Town participants in one employee pension system, the Oklahoma Firefighters Pension and Retirement which is a Cost Sharing Multiple Employer – Defined Benefit Plan.

The Town of Clayton, as the employer, participates in the statewide cost-sharing multi-employer defined benefit plan on behalf of the volunteer firefighters. The system is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

All full-time or voluntary firefighters of a participating municipality and hired before age 45 are eligible to participate with the contribution obligations and benefits established by State Statute. Currently, the employee's contribution rate is \$0 and the Town's contribution rate is \$60. The State's obligation is the appropriation to fund the unfunded actuarial accrued liability.

The period required to vest is 10 years with eligibility and benefits for distribution varying depending upon whether the employee is full-time or volunteer with a deferred retirement option with 20 years credited with continued service for a maximum of 30 or more years. Separately issued financial statements are available from the Firefighters Pension and Retirement, 4545 N. Lincoln Blvd, Suite 265, Oklahoma City, OK 73105.

**TOWN OF CLAYTON, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

GENERAL FUND	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 182,388	\$ 182,388	\$ 231,952	\$ 49,564
Traffic Fines	35,000	35,000	15,239	(19,761)
Grant Income	-	-	97,398	97,398
Payment in Lieu of Taxes	1,100	1,100	-	(1,100)
Other Charges	700	700	-	(700)
Miscellaneous	1,500	1,500	48,541	47,041
Interest	-	-	70	70
Transfer In	-	-	-	-
Total Revenues	<u>220,688</u>	<u>220,688</u>	<u>393,200</u>	<u>172,512</u>
Use of Fund Balance	<u>(2,155)</u>	<u>(2,155)</u>	<u>-</u>	<u>2,155</u>
Expenditures:				
General Government				
Personal Services	-	-	29,509	(29,509)
Maintenance and Operations	52,533	52,533	97,796	(45,263)
Police				
Personal Service	-	-	134,795	(134,795)
Maintenance and Operations	166,000	166,000	-	166,000
Fire				
Capital Outlay	-	-	121,795	(121,795)
Transfers Out	-	-	7,003	(7,003)
Total Expenditures	<u>218,533</u>	<u>218,533</u>	<u>390,898</u>	<u>(172,365)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,302</u>	<u>\$ 2,302</u>
STREET AND ALLEY	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 52,913	\$ 52,913	\$ 46,891	\$ (6,022)
Miscellaneous	-	-	1,400	1,400
Interest Revenue	-	-	77	77
Total Revenues	<u>52,913</u>	<u>52,913</u>	<u>48,368</u>	<u>(4,545)</u>
Use of Fund Balance	<u>(5,081)</u>	<u>(5,081)</u>	<u>-</u>	<u>5,081</u>
Expenditures:				
Personal Service	34,030	34,030	29,541	4,489
Maintenance and Operations	13,802	13,802	5,953	7,849
Transfer Out	-	-	-	-
Total Expenditures	<u>47,832</u>	<u>47,832</u>	<u>35,494</u>	<u>12,338</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,874</u>	<u>\$ 12,874</u>

**TOWN OF CLAYTON, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

RESTRICTED SALES TAX FUND	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 91,800	\$ 91,800	\$ 84,548	\$ (7,252)
Other Revenue	95,100	95,100	94,465	(635)
Operating Grants	-	-	-	-
Transfer Out	-	-	-	-
Total Revenues	<u>186,900</u>	<u>186,900</u>	<u>179,013</u>	<u>(7,887)</u>
 Use of Fund Balance	 <u>(4,041)</u>	 <u>(4,041)</u>	 <u>-</u>	 <u>4,041</u>
 Expenditures:				
Fire:				
Personal Services	2,722	2,722	-	2,722
Maintenance and Operations	15,898	15,898	17,216	(1,318)
Animal Control:				
Personal Services	6,300	6,300	-	6,300
Maintenance and Operations	9,007	9,007	10,445	(1,438)
Police:				
Maintenance and Operations	4,910	4,910	36,563	(31,653)
Transfer Out	23,730	23,730	-	23,730
Debt Service				
	-	-	-	-
Ambulance:				
Personal Services	87,500	87,500	68,369	19,131
Maintenance and Operations	32,792	32,792	53,735	(20,943)
Transfer Out	-	-	-	-
Total Expenditures	<u>182,859</u>	<u>182,859</u>	<u>186,328</u>	<u>(3,469)</u>
 Net Change in Fund Balance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (7,315)</u>	 <u>\$ (7,315)</u>

CYNTHIA L WARREN CPA, P.C.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Town of Clayton
Clayton, Oklahoma

I have audited the financial statements of the Town of Clayton, as of and for the year ended June 30, 2011, and have issued my report thereon dated April 10, 2016. Budgetary Comparison is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. I did not audit the information and express no opinion on it. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Clayton's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected in the entity's internal control. I consider the deficiency described in the accompanying schedule of findings as finding #2011-01 and #2011-05 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of 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 statements 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*.

The Town of Clayton's response to the findings identified in my audit are described in the accompanying schedule of responses and corrective actions. I did not audit the Town's response and, accordingly, I express no opinion on it.

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

Cynthia L Warren CPA, P.C.

Cynthia L Warren CPA, P.C.
Eufaula, OK
April 10, 2016

**TOWN OF CLAYTON, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

#2011-01 *Lack of Segregation of Duties*

Criteria: The Town should have a sufficient and properly designed internal control structure. This structure relies greatly on a proper segregation of duties between individuals. In the perfect situation, duties relating to initiating, authorizing, recording, processing and reporting financial data would be segregated to provide a less than remote likelihood that a misstatement of the authority's financial statements which is more than inconsequential would be prevented or detected.

Condition: The Town has two administrative employees and as a result does not have the personnel to assign duties and responsibilities in such a way which would segregate duties as mentioned above. The limited number of employees results in an inadequate overall internal control structure design. These employees do not have the qualifications for review of the audited financial statements to ensure accuracy.

Cause: Due to cost restrictions, the Town has limited staff. Resources are not currently available for additional employees for the appropriate segregation of duties.

Effect: The lack of segregation of duties related to controls as stated above are significant deficiencies that could result in the likelihood that a material misstatement of the financial statements may occur and not be prevented or detected.

Recommendation: As the Town has limited resources available, at the current time, additional segregation of duties is not financially feasible. The Town should review its procedures and controls to determine additional controls which can be implemented in order to achieve the control objectives related to segregation of duties. The cost effectiveness of these actions should be considered in the implementation of additional controls.

#2011-02 *Capital Asset Subsidiary Records*

Criteria: In order for the Town to maintain appropriate control related to capital assets, the Town should have complete and accurate detail subsidiary records which are maintained in a timely manner.

Condition: The Town and the Authority presently do not maintain complete detail capital asset account records necessary to account for all of the Town and Authority's property and equipment.

Cause: The Town and Authority have no current policies or procedures established for the maintenance of capital asset records. Resources have not been appropriated for the initial development such records.

Effect: The Town and Authority do not have adequate records for the capital assets owned by the Town of Clayton and Public Works Authority. Management's control over all funds' capital assets is limited without the maintenance of detail asset records and periodic physical inventories.

Recommendation: The Town of Clayton should develop detailed capital asset records in order to maintain proper data for the accounting records and to maintain proper control over the assets.

**TOWN OF CLAYTON, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

#2011-03 *Budget Law Compliance*

Criteria: The Municipal Budget Act, Oklahoma Statutes Title 11, states that the minimum legal level of control is the object category level by department within a fund, unless the municipality establishes a lower level by resolution. Any transfers at or before the legal level of control required approval by the governing body.

Condition: The Town's General Fund expenditures have exceeded the approved budget for certain object category levels within departments.

Cause: The Town does not have policies and procedures in place to properly monitor its expenditures on a timely basis.

Effect: The Town has not complied with the Municipal Budget Act.

Recommendation: The Town should develop policies and procedures to insure timely comparison of budget to actual expenditures.

#2011-04 *Payroll Reporting Compliance*

Criteria: The Internal Revenue Code requires the accurate and timely reporting of employee wages on a quarterly and annual basis, including the timely deposit of payroll taxes.

Condition: The Town has had numerous employee turnover situations and it appears that timely and accurate payroll tax reports have not been filed. Payroll taxes have not been deposited on a timely basis.

Cause: The Town does not have policies and procedures in place to properly monitor and reconcile its wage amounts to the required reports.

Effect: The Town has not complied with provisions of the Internal Revenue Code.

Recommendation: The Town should develop policies and procedures to file payroll reports in an accurate and timely manner. All deposits should be made according to the requirements of the Internal Revenue Code.

#2011-05 *Inadequate control over financial records*

Criteria: The Town is required to maintain adequate control over financial records to provide information as to the financial stability of the Town of Clayton and the Clayton Public Works.

Condition: The Town of Clayton and Clayton Public Works were unable to locate and provide the financial records for the year ending June 30, 2011. Certain records and supporting documentation were not available, including the general ledger, bank statements, and other documents. The Town of Clayton was able to obtain copies of bank statements and re-created the general ledger and financial reporting documents, however, some supporting documentation was not available.

Cause: The Town did not have adequate policies and procedures in place to properly maintain the safety of the financial records of the Town of Clayton.

**TOWN OF CLAYTON, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

#2011-05 *Inadequate control over financial records (Continued)*

Effect: The Town has not complied with regulations of the State of Oklahoma regarding record keeping for Government Municipalities.

Recommendation: The Town should develop policies and procedures to adequately maintain the records of the Town of Clayton and Clayton Public Works Authority.

#2011-06 *Town of Clayton General Fund overextended.*

Criteria: The State of Oklahoma Municipal Code of Regulations requires that no fund be expended over its availability of cash and reserves.

Condition: As of June 30, 2011, the Town of Clayton's General Fund over expended its availability of cash and reserves. This was a temporary situation but was corrected partially by a transfer from other funds.

Cause: The Town does not have policies and procedures in place to properly monitor its individual funds.

Effect: The Town has not complied with provisions of the State of Oklahoma Municipal Code.

Recommendation: The Town should develop policies and procedures to monitor its fund balances at all times. The Town General Fund and Street and Alley Fund are each maintained in separate funds on the financial records but are included in the same checking account. It would be beneficial to separate these two banking accounts to allow for ease in review of the individual funds.

#2011-07 *Town of Clayton and Clayton Public Works Authority Board Minutes.*

Criteria: The State of Oklahoma Municipal Code of Regulations and the policies of the Town require that minutes of the meetings of the trustees be adequately documented with appropriate signatures. These minutes should be maintained in a manner that the properly documented minutes be available at all times.

Condition: For the year ending June 30, 2011, the Town of Clayton and Clayton Public Works Authority trustee meeting minutes which were available were unsigned and provided mainly from data on the computer. Without proper documentation, actions of the Trustees is not determinable. In the current year, minutes are being properly maintained.

Cause: In the past, the Town of Clayton has had several changes in the Town Clerk position which has caused inconsistency in several areas including the proper maintenance of minutes of Trustee meetings.

Effect: The Town has not complied with provisions of the State of Oklahoma Municipal Code.

Recommendation: The Town should maintain minutes of Trustee meetings properly and as noted above, it appears this is being done currently.

**TOWN OF CLAYTON, OKLAHOMA
RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

The following are the responses and corrective actions of the Town concerning the findings reported in the accompanying Schedule of Findings and Questioned Costs for the year ending June 30, 2011:

- #2011-01** ***Lack of Segregation of Duties*** - The management of the Town has reviewed and discussed the Town's responsibilities over internal controls. As a result of this review, management has considered the cost effectiveness of additional segregation of duties for compliance of the application of generally accepted accounting principles. Due to the limitations of resources available at the current time, it has been determined that it is not feasible to increase the segregation of duties.
- #2011-02** ***Capital Asset Subsidiary Records*** – Management of the Town has reviewed the Town's responsibilities for maintaining appropriate capital asset records and will correct this situation as funds and personnel are available.
- #2011-03** ***Budget Law Compliance*** – The Town is aware of this compliance issue and has implemented new accounting procedures to address this issue and others.
- #2011-04** ***Payroll Reporting Compliance*** – The Town is currently reviewing payroll compliance and has implemented policies and procedures for the correction of this situation.
- #2011-05** ***Inadequate control over financial records*** – The Town is aware of this situation and has made all attempts to re-create the financial information, as required. Additional policies and procedures have been implemented which prevent this from happening currently.
- #2011-06** ***Town of Clayton General Fund overextended*** – The Town of Clayton has subsequently corrected this issue and will provide monitoring that this will not happen again.
- #2011-07** ***Town of Clayton and Clayton Public Works Authority Board Minutes*** – The Town of Clayton is aware of the importance of the minutes and have corrected this. At the current time, the minutes are maintained and signed by the Mayor, Trustees and the Town Clerk.