

Town of Dibble, Oklahoma
Financial Statements and Independent Auditor's Report Thereon
As of and for the year ending June 30, 2011

Table of Contents

| | |
|--|-------|
| Independent Auditor's Report | 1-2 |
| Statement of Position – Modified Cash Basis | 3 |
| Statement of Activities – Modified Cash Basis | 4 |
| Notes to Financial Statements | 5-7 |
| 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 | 8-9 |
| Schedule of Findings and Responses | 10-11 |
| Schedule of Expenses – Modified Cash Basis | 12 |

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Dibble, Oklahoma

We have audited the accompanying statement of financial position – modified cash basis and the statement of activities and changes in fund balances – modified cash basis of the Town of Dibble, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Town of Dibble's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Town's governmental activities and business-type activities are not reasonable determinable.

Management's presentation of capital assets for the governmental fund and propriety funds in not in conformance with generally accepted accounting standards.

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

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Dibble as of June 30, 2011, or the changes in its financial position for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2011 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dibble, Oklahoma. The statement of expenses – cash basis is presented for purposes of additional analysis and are not a required part of the financial statements. The statement of expenses – cash basis have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements as a whole.


Cary J. Russell, CPA, Inc.

July 31, 2011

Town of Dibble, Oklahoma
Statement of Position - Modified Cash Basis
June 30, 2011

| Assets | General Fund | Dibble Public Works Authority | Totals |
|--|----------------------|--|----------------------|
| Cash Operating Account | 52,999.45 | 45,101.52 | 98,100.97 |
| Cash County Fire Funds | 50,642.32 | 0.00 | 50,642.32 |
| Cash Street and Alley | 1,950.17 | 0.00 | 1,950.17 |
| Cash Fire | 3,291.41 | 0.00 | 3,291.41 |
| Cash Police | 975.13 | 0.00 | 975.13 |
| Cash Court Operations | 45,319.90 | 0.00 | 45,319.90 |
| Total Assets | <u>\$ 155,178.38</u> | <u>\$ 45,101.52</u> | <u>\$ 200,279.90</u> |
| | | | |
| Liabilities and Fund Balances | | | |
| Customer Deposits | 0.00 | 2,450.00 | 2,450.00 |
| Fund Balances | <u>155,178.38</u> | <u>42,651.52</u> | <u>197,829.90</u> |
| Total Liabilities and Fund Balances | <u>\$ 155,178.38</u> | <u>\$ 45,101.52</u> | <u>\$ 200,279.90</u> |

The accompanying notes are an integral part of these financial statements
Page 3

Town of Dibble, Oklahoma
Statement of Activities and Changes in Fund Balances - Cash Basis
For The Year Ending June 30, 2011

| | Dibble Public | | Totals |
|---|----------------------|---------------------|----------------------|
| | General Fund | Works Authority | |
| Revenues | | | |
| Sales Taxes and Use Taxes | 119,390.56 | 0.00 | 119,390.56 |
| Sales Taxes - County Fire | 44,303.84 | 0.00 | 44,303.84 |
| Franchise Taxes | 8,944.99 | 0.00 | 8,944.99 |
| Cigarette and Alcohol Taxes | 3,185.38 | 0.00 | 3,185.38 |
| Fines and Forfeitures | 128,020.93 | 0.00 | 128,020.93 |
| Gasoline and Motor Vehicle Taxes | 3,479.19 | 0.00 | 3,479.19 |
| Water and Sewer Fees | 0.00 | 79,100.38 | 79,100.38 |
| Grant Revenues | 262,535.00 | 0.00 | 262,535.00 |
| Other Revenues | <u>17,043.47</u> | <u>0.00</u> | <u>17,043.47</u> |
| Total Revenues | <u>586,903.36</u> | <u>79,100.38</u> | <u>666,003.74</u> |
| Expenses | | | |
| General Government | 62,323.20 | 0.00 | 62,323.20 |
| Police Department | 147,553.37 | 0.00 | 147,553.37 |
| Community Center | 5,271.69 | 0.00 | 5,271.69 |
| Street and Alley | 21,327.92 | 0.00 | 21,327.92 |
| Fire Department | 53,692.95 | 0.00 | 53,692.95 |
| Home Program | 260,000.00 | 0.00 | 260,000.00 |
| Water and Sewer | <u>0.00</u> | <u>74,655.79</u> | <u>74,655.79</u> |
| Total Expenses | <u>550,169.13</u> | <u>74,655.79</u> | <u>624,824.92</u> |
| Excess (Deficit) of Revenues over Expenses | 36,734.23 | 4,444.59 | 41,178.82 |
| Beginning Fund Balances | <u>118,444.15</u> | <u>38,206.93</u> | <u>156,651.08</u> |
| Ending Fund Balances | <u>\$ 155,178.38</u> | <u>\$ 42,651.52</u> | <u>\$ 197,829.90</u> |

The accompanying notes are an integral part of these financial statements
Page 4

I. Organization

The Town of Dibble, Oklahoma (the Town) operates under Town Board of Trustees form of government under Title 11 of the *Oklahoma Statutes*. The Town provides the following services to its citizens; public safety (police and fire), streets and highways, sanitation, culture and recreation, utilities and general administrative services.

II. Summary of Significant Accounting Policies

The financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions.

A. Reporting Entity

The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. The Dibble Public Works Authority (DPWA) serves all the citizens of the Town and is governed by a board appointed by the Town's elected board of trustees. The DPWA has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control, and regulate utility facilities whether water, sewage, or other forms or types of public and municipal services within and without the corporate boundaries of the Town of Dibble. The DPWA is reported as the proprietary fund in the financial statements.

The DPWA is a separate legal entity from the Town, and is not governed by the same constitutional and statutory requirements applicable to the Town. However, for financial reporting purposes the Authority reports revenues, expenditures and related assets and obligations using the same basis of accounting as the Town.

B. Measurement Focus and Basis of Accounting

The financial statements are reported using the current financial resources measurement focus, as applied to the modified cash basis of accounting. This basis of accounting is being used for the governmental funds as well as the proprietary funds. The current financial resources measurement focus includes only current financial assets and liabilities on the statements of position. The statements of revenues and expenses presents sources and uses of available spendable financial resources during the given period. With the current financial measure focus the Town records the receipt of debt as a source of resources on the statement of revenues and

expenses. Resources expended for principal on debt service as well as capital assets are also presented on the statement of revenues and expenses.

The governmental funds and the proprietary funds are using the modified cash basis of accounting. The modified cash basis of accounting is not in conformance with Generally Accepted Accounting Principles. Under this method revenues and resources are recorded when received rather than when earned. Expenses are recorded when paid. Fixed assets are recorded and long term debt is also recorded as described in note C. below.

C. Financial Statement Presentation

The Town of Dibble has elected to present its financial statements in a format that is not in conformance with Generally Accepted Accounting Standards. The presentation consists of the individual funds that comprise the governmental entity and the individual funds that comprise the various special revenue funds and the Dibble Utility Authority. The governmental funds consist of the general fund. The propriety funds consist of single individual fund the consists of the DPWA.

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another funds. These other funds are the special revenue funds. The propriety funds have a main operating fund and five specialized funds that are used for grants and special projects.

D. Budgetary Information

Annual budgets are adopted for all governmental funds and proprietary funds. All unencumbered annual appropriations lapse at fiscal year-end. Actual expenditures within a fund may not exceed the adopted budget.

Prior to June of each year, requests for appropriations are submitted to the Town clerk so that a budget may be prepared. The Board of Trustee's holds a public hearing prior to June 15, and a final budget is formally approved and adopted by the Town council in July, and submitted to the Oklahoma County Excise Board.

The appropriated budget is prepared for the general fund by function. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the object classification level. Object classifications include personnel services, maintenance and operations, capital outlay and debt service.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase order, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Budgets are prepared on the budget basis of accounting, which demonstrates compliance with cash basis and budget laws of the State of Oklahoma, and is another comprehensive basis of accounting.

E. Deposits and Investments Risk

At June 30, 2011, the Town and DPWA held the following deposits and investments:

| | |
|--|------------|
| General Fund and Special Revenue Funds | \$ 155,178 |
| DPWA and Emergency Medical Fund | \$ 45,102 |

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Town's name.

The Town's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma, Surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2011, the Town's deposits were sufficiently insured or secured.

F. Risk Management

The Town and its public trusts are exposed to various risks of loss related to torts; theft or, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

G. Subsequent Events

Subsequent events have been evaluated through July 31, 2011, which is the date the financial statements were available to be issued.

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**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**

To the Board of Trustees
Dibble, Oklahoma

We have audited the financial statements of the governmental activities and business-type activities of the Town of Dibble, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Dibble's basic financial statements and have issued our report thereon dated December 31, 2011. Our opinion was an adverse opinion for the Town of Dibble because of the financial statement presentation and inadequate expense and expenditure records. Except as discussed in the preceding sentence, we conducted our 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 our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. Items 2010-1, and 2011-1 are considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Dibble, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, and should not be used by anyone other than these specified parties.


July 31, 2011

Schedule of Findings and Responses

2010-1 Separation of Duties – Prior Finding

CONDITION: During our review we noted that the Town does not have any separation of duties for the collection of traffic fines and utility billing receipts.

CRITERIA: Separation of duties is integral to the goal of internal control.

CAUSE OF CONDITION: The Town is small and does not have the resources to afford the multiple employees required.

EFFECT OF CONDITION: The Town runs a greater risk of embezzlement with weak internal controls over cash collections.

RECOMMENDATION: The Board of Trustees implement a policy of not accepting cash payments in the Town hall. All payments should come in as checks or money orders.

MANAGEMENT RESPONSE: The recommendation is being evaluated and considered.

2011-1 Significant Activity Not Recorded

CONDITION: McClain County has passed a dedicated sales tax for the benefit of fire protection in the County. The Tax is allocated to the different fire departments in the County. The County administers the funds.

CRITERIA: In order for the Town to have accurate records and to understand how much fire protection is actually costing all revenues and expenditures regardless of source need to be recorded.

CAUSE OF CONDITION: Since the County administers the funds there has not been any accounting information shared from McClain County and the Town of Dibble.

EFFECT OF CONDITION: Significant transactions are occurring and not being recorded into the Town's accounting records.

RECOMMENDATION: The Clerk/Treasurer obtain a copy of the County's appropriation ledger that records the activity that applies to the Town's portion of the dedicated sales taxes. This activity should be recorded into the Town's general ledger system.

MANAGEMENT RESPONSE: The recommendation is being evaluated and considered.

Schedule of Findings and Responses - Resolved

2010-2 General ledgers not kept consistently

CONDITION: During our review of the accounting records we noted the Town was keeping general ledgers for each checking account and not necessarily along the lines of approved funds nor was there consistent posting and movements of fund between the various accounts and funds.

CRITERIA: An orderly and well designed accounting and reporting system is integral to achieving

CAUSE OF CONDITION: The accounting system the town was using was not designed for fund accounting and is not a suitable product for a municipality

EFFECT OF CONDITION: The use of inappropriate software coupled with a poorly designed chart of accounts creates a situation where obtaining quality accounting reports is very difficult.

RECOMMENDATION: The Town obtain software that is designed for fund accounting and simplify its fund structure.

MANAGEMENT RESPONSE: The Town has upgraded its accounting software.

2010-3 Utility Billing Reports – Prior Finding

CONDITION: During our review of the utility billing system we noted that the report that were run were not well organized and there does not appear to be a system to reconcile the utility billings received and posted into the billing software and the actual bank activity.

CRITERIA: The Town does not have a utility billing system that is tied to its general ledger system, therefore the current system needs to be manually reconciled with the general ledger system in order to have adequate internal control in this area.

CAUSE OF CONDITION: Accounting personnel have not been adequately training in this area of internal control.

EFFECT OF CONDITION: If the utility billing system is not reconciled to the actual bank activity the management and the citizenry have no assurances as to whether all billings are being deposited into the Town's bank accounts.

RECOMMENDATION: The Town's accounting staff review the utility billing software's reporting package and develop a system of printing and archiving key reports that can be ties to the actual bank activity.

MANAGEMENT RESPONSE: Management will evaluate the above recommendation.

**Town of Dibble, Oklahoma
Statement of Expenses - Cash Basis
For The Year Ending June 30, 2011**

| | General Government | Police Department | Community Center | Street and Alley | Fire Department | Court | Water Department | I |
|----------------------------|-------------------------------|------------------------------|-----------------------------|-----------------------------|----------------------------|----------------|-----------------------------|-----------|
| Personal Services | 9,790.38 | 78,875.01 | 0.00 | 0.00 | 0.00 | 0.00 | 8,991.75 | |
| Maintenance and Operations | 47,532.82 | 53,485.28 | 2,558.87 | 21,327.92 | 21,417.95 | 0.00 | 47,008.29 | |
| Other Services and Charges | 5,000.00 | 15,193.08 | 2,712.82 | 0.00 | 0.00 | 0.00 | 2,638.13 | |
| Capital Outlay | 0.00 | 0.00 | 0.00 | 0.00 | 32,275.00 | 0.00 | 0.00 | |
| Totals | \$ 62,323.20 | \$147,553.37 | \$ 5,271.69 | \$ 21,327.92 | \$ 53,692.95 | \$ 0.00 | \$ 58,638.17 | \$ |