

TOWN OF GLENCOE, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

TOWN OF GLENCOE, OKLAHOMA
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 YEAR ENDED JUNE 30, 2012

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Independent Auditor's Report

The Board of Trustees
Town of Glencoe, Oklahoma

We 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 Glencoe, Oklahoma, as of and for the year ended June 30, 2012, 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 Glencoe, Oklahoma'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 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 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.

As discussed in Note 1 the Town of Glencoe, Oklahoma prepared its financial statements on a 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, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Glencoe, Oklahoma, as of June 30, 2012, and the respective changes in financial position - modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2012 on our consideration of the Town of Glencoe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Town of Glencoe has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although, not be a part of the basic financial statements. The omission of this information does not affect the opinion expressed on the financial statements as a whole.

The budgetary comparison schedule on page 24 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
October 30, 2012

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

The Board of Trustees
Town of Glencoe, Oklahoma

We have audited the financial statements of the Town of Glencoe, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated October 30, 2012. 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. The financial statements were prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Town of Glencoe, Oklahoma has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although, not be a part of the basic financial statements.

Internal Control Over Financial Reporting

Management of Town of Glencoe, Oklahoma is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Glencoe, Oklahoma'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 of Glencoe, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Glencoe, Oklahoma'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 combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness.

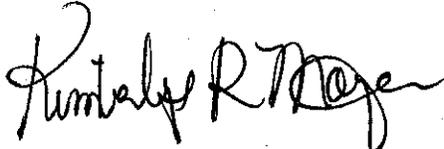
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Glencoe, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 were required to be reported under *Government Auditing Standards*.

Town of Glencoe's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, board of trustees, others within the Town, and is not intended to be and should not be used by anyone other than these specified parties.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
October 30, 2012

TOWN OF GLENCOE, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012

Material Weakness Communicated In Prior Year:

Material Weakness in Internal Control Over Financial Reporting: Inadequate Segregation of Duties:

Criteria:

The segregation of duties and responsibilities between different individuals and the reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition:

Presently, the same individual is responsible for water service billings and receiving payments; making and recording deposits; and maintaining billing registers. Only limited oversight is provided over this individual in the conduct of their daily functions.

Cause:

The entity's limited size has made it difficult for management to fully segregate the duties.

Effect or Potential Effect:

Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the water billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation:

The trustees should evaluate the risks associated with the lack of segregation of duties and consider implementing controls that could mitigate these risks.

Board's Response:

The trustees has concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF GLENCOE, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 40,441	\$ 23,374	\$ 63,815
Certificates of deposit	194,431	115,540	309,971
Capital assets (Note 2):			
Land		59,929	59,929
Capital assets (net of accumulated depreciation)	367,192	716,890	1,084,082
Total Assets	602,064	915,733	1,517,797
Liabilities:			
Customer meter deposits		20,000	20,000
Notes payable (Note 3)		127,719	127,719
Total Liabilities		147,719	147,719
Net Assets:			
Invested in capital assets, net of related debt	367,192	649,100	1,016,292
Unrestricted	234,872	118,914	353,786
Total Net Assets	\$ 602,064	\$ 768,014	\$ 1,370,078

The accompanying report and notes are an integral part of these financial statements.

TOWN OF GLENCOE, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2012

Function/Program	Program Revenue			Net (Expense) Revenue & Changes in Net Assets		
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General Government	\$ 79,044	\$ 4,413	\$ 8,000	\$ (71,044)	\$	\$ (71,044)
Public Safety	73,783			(54,741)		(54,741)
Street and Alley	6,603		30,000	23,397		23,397
Parks and Recreation	9,909			(9,909)		(9,909)
Total government activities	169,339	4,413	38,000	(112,297)		(112,297)
Business-type activities:						
Water	120,014				(56,402)	(56,402)
Sewer	52,067		151,300	143,252		143,252
Sanitation	41,541			11,118		11,118
Total business-type activities	213,622		151,300	97,968		97,968
Total government	\$ 382,961	\$ 4,413	\$ 189,300	\$ (112,297)	\$ 97,968	\$ (14,329)
General Revenues:						
Taxes:						
Sales taxes				95,919		95,919
Franchise taxes				14,592		14,592
Gas and vehicle taxes				5,244		5,244
Other taxes				3,214		3,214
Investment income				2,872		2,872
Miscellaneous				5,377	16,411	21,788
Total general revenues				127,218	16,411	143,629
Change in net assets before transfers						
				14,921	114,379	129,300
Transfers in (out)						
Change in net assets				8,585	(8,585)	
Net assets - beginning of year				23,506	105,794	129,300
Net assets - end of year				578,558	662,220	1,240,778
				\$ 602,064	\$ 768,014	\$ 1,370,078

FUND FINANCIAL STATEMENTS

TOWN OF GLENCOE, OKLAHOMA
BALANCE SHEET
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 24,583	\$ 15,858	\$ 40,441
Certificates of deposit	168,709	25,722	194,431
Total Assets	193,292	41,580	234,872
Liabilities and Fund Balances:			
Liabilities:			
Fund balances:			
Nonspendable			
Restricted			
Committed			
Assigned		41,580	41,580
Unassigned	193,292		193,292
Total Fund Balances	\$ 193,292	\$ 0	234,872

Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities of \$868,729, net of accumulated depreciation of \$501,537, are not financial resources and, therefore, are not reported in the funds.

	367,192
Net assets of governmental activities	\$ 602,064

The accompanying report and notes are an integral part of these financial statements.

TOWN OF GLENCOE, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ 113,725	\$ 5,244	\$ 118,969
Charges for services	6,080		6,080
Fines		8,549	8,549
Investment income	2,872		2,872
Grants	42,413		42,413
Miscellaneous	5,377		5,377
Total Revenues	<u>170,467</u>	<u>13,793</u>	<u>184,260</u>
EXPENDITURES:			
Current:			
General Government	93,332		93,332
Police Department		55,296	55,296
Fire Department	14,693		14,693
Street and Alley		6,603	6,603
Parks and Recreation	6,135		6,135
Grants	4,000		4,000
Total Expenditures	<u>118,160</u>	<u>61,899</u>	<u>180,059</u>
Excess (deficiencies) of revenues over expenditures	52,307	(48,106)	4,201
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	<u>(47,204)</u>	<u>55,789</u>	<u>8,585</u>
Net changes in fund balances	5,103	7,683	12,786
Fund balances, beginning of year	<u>188,189</u>	<u>33,897</u>	<u>222,086</u>
Fund balances, end of year	<u>\$ 193,292</u>	<u>\$ 41,580</u>	<u>\$ 234,872</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES:			
Net changes in fund balances - total governmental funds			\$ 12,786
Amounts reported for governmental activities in the Statement of Activities are different because:			
Capital asset purchases capitalized			40,938
Depreciation expense			<u>(30,218)</u>
			<u>10,720</u>
Change in Net Assets of Governmental Activities			<u>\$ 23,506</u>

The accompanying report and notes are an integral part of these financial statements.

TOWN OF GLENCOE, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2012

	Public Works Authority Enterprise Fund
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 23,374
Certificates of deposit	115,540
Total Current Assets	138,914
Noncurrent Assets:	
Land	59,929
Other capital assets, net of accumulated depreciation	716,890
Total Noncurrent Assets	776,819
Total Assets	915,733
Liabilities:	
Current Liabilities:	
OWRB notes payable (Note 3)	7,107
Noncurrent liabilities:	
Customer meter deposits	20,000
OWRB notes payable (Note 3)	120,612
Total Noncurrent Liabilities	140,612
Total Liabilities	147,719
Net Assets:	
Invested in capital assets, net of related debt	649,100
Unrestricted	118,914
Total Net Assets	\$ 768,014

The accompanying report and notes are an integral part of these financial statements.

TOWN OF GLENCOE, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Water	\$ 63,612
Sewer	44,019
Sanitation	52,659
Other income	16,411
Total Operating Revenues	176,701
Operating Expenses:	
Water Department	108,037
Sewer Department	33,334
Sanitation Department	41,541
Depreciation	27,099
Total Operating Costs	210,011
Operating income (loss)	(33,310)
Non-Operating Revenues (Expenses)	
Interest income	
Interest expense	(3,611)
Grants	151,300
Total Non-Operating Revenues (Expenses)	147,689
Changes in Net Assets	114,379
Transfers	(8,585)
Net Assets, beginning of year	662,220
Net Assets, end of year	\$ 768,014

The accompanying report and notes are an integral part of these financial statements.

TOWN OF GLENCOE, OKLAHOMA
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

Cash Flows From Operating Activities:	
Cash received from customers	\$ 170,882
Other operating cash receipts	5,819
Cash payments to employees	(37,928)
Cash payments to suppliers for goods and services	(144,984)
Net cash provided (used) by Operating Activities	<u>(6,211)</u>
Cash Flows From Non-Capital Financing Activities:	
Cash Flows From Capital And Related Financing Activities:	
Transfers in (out)	(8,585)
Acquisition and construction of capital assets	(175,224)
Principle payments	(6,849)
Interest payments	(3,611)
Grants received	151,300
Net cash provided (used) by Financing Activities	<u>(42,969)</u>
Cash Flows From Investing Activities:	
Interest on cash and investments	
Increase (decrease) in meter accounts	(505)
(Increase) decrease in CDs	(901)
Net cash provided (used) by Investing Activities	<u>(1,406)</u>
Net increase (decrease) in cash and cash equivalents	(50,586)
Beginning cash and cash equivalents	73,960
Ending cash and cash equivalents	<u>\$ 23,374</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:	
Income (Loss) from operations	(33,310)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	27,099
Net cash provided (used) by operating activities	<u>\$ (6,211)</u>

The accompanying report and notes are an integral part of these financial statements.

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Reporting Entity

The Town of Glencoe, Oklahoma (Town) operates under the Town Board of Trustees form of government and provides the following services as authorized by its charter: public safety, streets, public improvements, recreation, planning and zoning, and general administration. The Town's financial reporting entity is composed of the following:

Primary Government: Town of Glencoe, Oklahoma
Blended Component Unit: Town of Glencoe, Oklahoma Public Works Authority

Blended Component Unit

The Glencoe Public Works Authority (PWA), an entity legally separate from the Town but having the Town as its beneficiary, is governed by the same board of trustees as governs the Town. For financial reporting purposes, the PWA is reported as if it were part of the Town's operations because its primary purpose is to finance and provide water, sewer, and trash services to the citizens of the Town.

Basis of Presentation

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

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

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

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Governmental Funds:

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

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds, all of which are reported as non-major funds:

Capital Improvement Fund – used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Police Fund – used to account for the revenues received and expenditures paid for public safety.

Street and Alley Fund – used to account for gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements.

Proprietary Funds

The 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. The reporting entity includes the Public Works Authority Fund. This fund is used to account for the activities in providing water, sewer, and sanitation services to the public.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and propriety fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Budget Policy and Practice

An annual budget is submitted to the Town Trustees for review, and public hearings are held to address the budget. Once the budget is approved, the Town Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Revenues are budgeted by source, and expenditures are budgeted by department and class as follows: personal services, materials and supplies, other services and charges, and capital outlay. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions are subject to final review by the Town Trustees.

The budget for the operating funds is prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders is expected to be paid. The actual financial statements are reported on the modified cash basis.

Budget and Budgetary Accounting

The Town adopts annual budgets for the general and proprietary funds.

Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and deposits with a maturity of three months or less.

NOTE 2 – PROPERTY AND EQUIPMENT:

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. 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.

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2000.

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 2 – PROPERTY AND EQUIPMENT (continued):

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an 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.

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations, are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2012 was as follows:

	Balance at 06/30/11	Additions	Deductions	Balance at 06/30/12
Governmental activities:				
Fire Department	\$ 196,006	\$	\$	\$ 196,006
Police Department	31,856			31,856
Parks and Recreation	101,484			101,484
Building	57,071			57,071
General equipment	23,263			23,263
Water, sewer, & street improvements	418,111	40,938		459,049
Totals	<u>827,791</u>	<u>40,938</u>		<u>868,729</u>
Less accumulated depreciation:				
Equipment	317,459	9,305		326,764
Buildings	15,577	2,774		18,351
Water, sewer, & street improvements	138,282	18,140		156,422
Totals	<u>471,318</u>	<u>30,219</u>		<u>501,537</u>
Capital assets, net	<u>\$ 356,473</u>	<u>\$ 10,719</u>	<u>\$</u>	<u>\$ 367,192</u>
Business-type activities:				
Land	\$ 59,929	\$	\$	\$ 59,929
Utility equipment	78,142			78,142
Water & sewer system	845,413	175,223		1,020,636
Totals	<u>983,484</u>	<u>175,223</u>		<u>1,158,707</u>
Less accumulated depreciation:				
Utility equipment	62,905	3,834		66,739
Water & sewer system	291,884	23,265		315,149
Totals	<u>354,789</u>	<u>27,099</u>		<u>381,888</u>
Capital assets, net	<u>\$ 628,695</u>	<u>\$ 148,124</u>	<u>\$</u>	<u>\$ 776,819</u>

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 3 – LONG TERM DEBT:

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

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

There is no long-term debt at June 30, 2012 as the result of governmental activities. The long-term debt arising from cash transactions, payable from proprietary fund resources consisted of the following:

Refundable deposits reported as a liability within the Statement of Net Assets are utility deposits.	\$ 20,000
Loan with OWRB for sewer improvements. Collateral is pledge and assignment of revenues. The interest rate is 2.6%. The loan payments are semiannual for 20 years. The maturity date is 9/15/26.	\$ 127,719

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Reductions	Balance July 1, 2012	Amounts Due Within One Year
Loans	\$ 134,568	\$	\$ (6,849)	\$ 127,719	\$ 7,107
Refundable deposits	20,505		(505)	20,000	
Totals	\$ 155,073	\$	\$ (7,354)	\$ 147,719	\$ 7,107

The following is a schedule of the loan payments:

6/30/13	\$ 13,676
6/30/14	13,676
6/30/15	13,676
6/30/16	13,676
6/30/17	13,676
Thereafter	109,408
Interest	(50,069)
Net	\$ 127,719

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 4 – CASH AND DEPOSITS:

The State of Oklahoma allows municipalities to invest in direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts of savings certificates; or county, municipal or school district direct debt.

Cash and deposits are categorized for level of risk as follows:

- Category 1 – Insured or collateralized with securities held by the Town or by its agent in the Town’s name.
- Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the Town’s name.
- Category 3 – Uncollateralized

Cash and deposits, categorized by level of risk, at June 30, 2012 are:

	Bank Balance	Category			Carrying Amount
		1	2	3	
Bank accounts	\$ 79,587	\$ 79,587	\$	\$	\$ 63,815
Certificates of deposit	309,971	309,971			309,971
Totals	<u>389,558</u>	<u>389,558</u>			<u>373,786</u>

NOTE 5 – EQUITY CLASSIFICATION:

Equity in government-wide financial statements is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted net assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

TOWN OF GLENCOE, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2012

NOTE 6 – WATER PURCHASE COMMITMENT:

The governing board of the Town of Glencoe, Oklahoma, together with seven other cities and rural water districts located in Noble, Pawnee, and Payne Counties have jointly formed Lone Chimney Water Association (Association). The purpose of the Association is to provide a water system for the benefit of its members and other users. The Association has entered into various loan agreements with the USDA-Rural Development to provide financing for the facility. Under the terms of the agreement regarding the Lone Chimney Water Association, each member has contracted to purchase a minimum amount of water from the Association during the 40 year term of the notes. In addition, each individual member is proportionately liable for any debts that exceed the assets of the Association to the extent of one and one-half times the percentage of ownership interest held by the entity pursuant to the agreement. At June 30, 2012, the Association’s debts do not exceed its assets.

At June 30, 2012, the Town of Glencoe, Oklahoma, was obligated to purchase a minimum of 18 million gallons of water annually, currently at a cost of \$46,800. The rate charged for the water can be adjusted every three years to provide sufficient revenues for the Association. Future purchase commitments at current rates are as follows:

6/30/12	\$ 46,800
6/30/13	46,800
6/30/14	46,800
6/30/15	46,800
6/30/16	46,800
Thereafter	748,800
Total	<u>\$ 982,800</u>

NOTE 7– PENSION PLANS:

The Town’s volunteer firemen participate in the Oklahoma State Firefighter’s Pension and Retirement System. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. The total contribution for the year ended June 30, 2012 was \$1,260 and covered 21 volunteers.

NOTE 8 – RISK MANAGEMENT:

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There were no claims activity for the year just ended.

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 9 – ESTIMATES:

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Town requires management to make certain 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 reporting period. Accordingly, actual results could differ from those estimates.

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS:

The Town has evaluated subsequent events through October 30, 2012, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GLENCOE, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GENERAL FUND
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 188,189	\$ 188,189	\$ 188,189	\$
Resources (Inflows):				
Sales tax	66,498	65,498	71,939	6,441
Sales tax - police	22,212	22,212	23,980	1,768
Franchise taxes	14,762	14,762	14,592	(170)
Alcoholic beverage tax	1,581	1,581	1,808	227
Other taxes	1,198	1,198	1,406	208
Fire runs	1,065	1,065	850	(215)
Fire subscriptions	4,816	4,816	5,230	414
Other revenues	7,832	7,832	5,377	(2,455)
Grants	4,398	4,398	4,413	15
Interest	1,769	1,769	2,872	1,103
Total Resources	<u>126,131</u>	<u>125,131</u>	<u>132,467</u>	<u>7,336</u>
Charges (Outflows):				
General Government:				
Personnel services	28,000	25,881	22,303	3,578
Materials and supplies	2,000	1,651	1,651	
Other services and charges	31,000	28,440	28,440	
Capital outlay				
Total General Government	<u>61,000</u>	<u>55,972</u>	<u>52,394</u>	<u>3,578</u>
Parks and Recreation:				
Materials and supplies	1,500	1,220	1,220	
Other services and charges	4,000	4,915	4,915	
Capital outlay	4,500			
Total Parks & Recreation	<u>10,000</u>	<u>6,135</u>	<u>6,135</u>	
Fire:				
Personnel services	2,500	2,428	2,428	
Materials and supplies	5,000	4,564	4,564	
Other services and charges	5,000	7,702	7,701	1
Capital outlay	3,500			
Grants				
Total Fire	<u>16,000</u>	<u>14,694</u>	<u>14,693</u>	<u>1</u>
Sales tax for police	22,212	22,212	23,980	(1,768)
Total Charges	<u>109,212</u>	<u>99,013</u>	<u>97,202</u>	<u>1,811</u>
Ending budgetary fund balance	<u>\$ 205,108</u>	<u>\$ 214,307</u>	<u>\$ 223,454</u>	<u>\$ 9,147</u>

"Unaudited Supplemental Information"

TOWN OF GLENCOE, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2012

Budget Law

The Town prepares its annual operating budget under the provisions of the Municipal Budget Act. In accordance with these provisions the following process is used to adopt the annual budget:

1. At least 30 days prior to July 1, a proposed operating budget is submitted to the Town Council.
2. A public hearing is held no later than 15 days prior to July 1 for citizen comments.
3. Subsequent to the public hearings but no later than 7 days prior to July 1, the budget is adopted by resolution of the Town Council.
4. The adopted budget is filed with the Office of State Auditor and Inspector.

The level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. The Budget Act recognizes the following object categories as minimum legal level of control by department within a fund:

- Personal Service
- Materials and Supplies
- Other Services and Charges
- Capital Outlay
- Debt Service
- Fund Transfers

All transfers of appropriations between departments and supplemental appropriations require Town Council approval. The Mayor may transfer appropriations between object categories within a department without Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The budget is prepared on the cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions. The Town does not budget for depreciation or grants.

SUPPLEMENTAL INFORMATION

TOWN OF GLENCOE, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue Funds			Total Non-major Governmental Funds
	Street and Alley	Police Funds	Capital Improvements	
Assets:				
Cash & cash equivalents	\$	\$ 15,013	\$ 845	\$ 15,858
Certificates of deposit		25,722		25,722
Total	\$	\$ 40,735	\$ 845	\$ 41,580
Fund Balance:				
Unreserved	\$	\$ 40,735	\$ 845	\$ 41,580

TOWN OF GLENCOE, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue Funds			Total Non-major Governmental Funds
	Street and Alley	Police Funds	Capital Improvements	
Revenues:				
Taxes	\$ 5,244	\$	\$	\$ 5,244
Fines		8,549		8,549
Grants				
Total Revenues	5,244	8,549		13,793
Expenditures:				
Projects				
Police		55,296		55,296
Streets and alley	6,603			6,603
Total Expenditures	6,603	55,296		61,899
Excess (deficiency) of revenues over expenditures	(1,359)	(46,747)		(48,106)
Other financing sources (uses):				
Transfers in (out)	1,359	54,430		55,789
Net changes in fund balances		7,683		7,683
Beginning fund balances		33,052	845	33,897
Ending fund balances	\$	\$ 40,735	\$ 845	\$ 41,580

TOWN OF GLENCOE, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue Funds									
	Streets and Alley					Police Funds				
	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)	
Beginning Budgetary Fund Balance	\$	\$	\$	\$		\$	\$	\$	\$	\$
Resources (inflow):										
Taxes	4,265	4,265	5,244	979				8,549	(791)	
Fines										
Grants										
Transfer in	5,264	5,264	1,359	(3,905)		22,212	22,212	54,430	32,218	
Total Resources	9,529	9,529	6,603	(2,926)		31,552	31,552	62,979	31,427	
Charges (outflows):										
Personnel services	1,000	570	570			42,000	37,639	43,102	(5,463)	
Materials & supplies	3,000	8,533	6,033	2,500		6,000	9,315	9,315		
Other services & charges						3,000	2,879	2,879		
Capital Outlay	1,000	9,444		9,444		2,000				
Total Charges	5,000	18,547	6,603	11,944		53,000	49,833	55,296	(5,463)	
Ending Budgetary Fund Balance	\$	\$	\$	\$		\$	\$	\$	\$	\$
						11,604	14,771	40,735	25,964	

TOWN OF GLENCOE, OKLAHOMA
 SCHEDULE OF FEDERAL AND STATE FINANCIAL AWARDS
 YEAR ENDED JUNE 30, 2012

<u>Grantor/Program</u>	<u>Contract Amount</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements or Expenses Recognized</u>
<u>Federal Financial Awards:</u>					
Passed through Oklahoma:					
Department of Commerce:					
Community Development	\$ 162,000	14070CDBG09	14.228	\$ 151,300	\$ 151,300
CID Inventory	8,000	13,793		8,000	4,000
<u>State Financial Awards:</u>					
Department of Agriculture:					
Fire department	\$ 4,413			\$ 4,413	\$ 4,413
Department of Commerce:					
REAP Grant	\$ 30,000	2010-2011 Reap Fund #23		\$ 30,000	\$ 30,000

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Board of Trustees
Town of Glencoe

The statement of revenues and expenditures of the Town of Glencoe, Oklahoma for the year ended June 30, 2012, included in the accompanying prescribed form, have been compiled by us. We have not audited or reviewed the accompanying financial statement and, accordingly, do not express an opinion or provide any assurance about whether the financial statement is in accordance with the prescribed form by the office of State Auditor and Inspector of the State of Oklahoma.

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the form prescribed by the office of State Auditor and Inspector of the State of Oklahoma, and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statement.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.



Kimberlye R. Mayer, CPA, P.C.
October 30, 2012