

TOWN OF EARLSBORO
Earlsboro, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2010

AUDITED BY

WILSON, DOTSON & ASSOCIATES, P.L.L.C.
SHAWNEE, OKLAHOMA

TOWN OF EARLSBORO
Earlsboro, Oklahoma

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**TOWN OF EARLSBORO
Earlsboro, Oklahoma**

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WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

November 28, 2011

Honorable Mayor and
Members of the Town Council
Town of Earlsboro
Earlsboro, 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 Earlsboro, Oklahoma, (Town) as of and for the years ended June 30, 2010 and 2009, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, except for the effects, if any, on the financial statements of improper capital asset record keeping described in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Earlsboro, Oklahoma, as of June 30, 2010 and 2009, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Town of Earlsboro
November 28, 2011

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position each major governmental fund and the aggregate remaining governmental fund information of the Town of Earlsboro, Oklahoma, as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, on our consideration of the Town's internal control over financial reporting and 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 should be considered in assessing the results of our audit.

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



Wilson, Dotson & Associates, P.L.L.C.
Certified Public Accountants

TOWN OF EARLSBORO
Earlsboro, Oklahoma

STATEMENT OF NET ASSETS
JUNE 30, 2010

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments			
Cash and cash equivalents	\$ 481,027	4,810	485,837
Receivables			
Accounts receivable	16,927	1,020	17,947
CAPITAL ASSETS			
Depreciable buildings, property and equipment net of depreciation	<u>399,811</u>	<u>352,586</u>	<u>752,397</u>
TOTAL ASSETS	<u>\$ 897,765</u>	<u>358,416</u>	<u>1,256,181</u>
LIABILITIES			
Accounts payable	\$ 6,731	-	6,731
Accrued interest payable	-	80	80
Notes payable	-	<u>62,436</u>	<u>62,436</u>
TOTAL LIABILITIES	<u>6,731</u>	<u>62,516</u>	<u>69,247</u>
NET ASSETS			
Invested in capital assets, net of related debt	399,811	290,150	689,961
Restricted	-	8,263	8,263
Unrestricted	<u>491,223</u>	<u>40,817</u>	<u>532,040</u>
TOTAL NET ASSETS	<u>\$ 891,034</u>	<u>339,230</u>	<u>1,230,264</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

STATEMENT OF NET ASSETS
JUNE 30, 2009

PRIMARY GOVERNMENT		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
495,178	58,725	553,903
19,322	1,020	20,342
347,500	367,367	714,867
862,000	427,112	1,289,112
10,929	118	11,047
-	80	80
-	63,988	63,988
10,929	64,186	75,115
347,500	309,418	656,918
-	7,975	7,975
503,571	45,533	549,104
851,071	362,926	1,213,997

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009

FOR THE YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Governmental Activities:					
General government	\$ 119,943	-	-	9,500	(110,443)
Business-Type Activities:					
General administration	38,315	13,659	-	-	(24,656)
Totals	<u>\$ 158,258</u>	<u>13,659</u>	<u>-</u>	<u>9,500</u>	<u>(135,099)</u>

	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	Net (Expense)/Revenue	\$ (110,443)	(24,656)
General Revenues			
Taxes	119,074	-	119,074
Intergovernmental	17,315	960	18,275
Miscellaneous	14,017	-	14,017
Total general revenues and transfers	<u>150,406</u>	<u>960</u>	<u>151,366</u>
Change in Net Assets	39,963	(23,696)	16,267
Net Assets-beginning of year	<u>851,071</u>	<u>362,926</u>	<u>1,213,997</u>
Net Assets-end of year	<u>\$ 891,034</u>	<u>339,230</u>	<u>1,230,264</u>

FOR THE YEAR ENDED JUNE 30, 2009

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Governmental Activities:					
General government	\$ 112,269	-	-	5,100	(107,169)
Business-Type Activities:					
General administration	26,975	14,117	-	-	(12,858)
Totals	<u>\$ 139,244</u>	<u>14,117</u>	<u>-</u>	<u>5,100</u>	<u>(120,027)</u>

	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	Net (Expense)/Revenue	\$ (107,169)	(12,858)
General Revenues			
Taxes	193,332	-	193,332
Intergovernmental	10,293	-	10,293
Miscellaneous	1,417	1,451	2,868
Total general revenues and transfers	<u>205,042</u>	<u>1,451</u>	<u>206,493</u>
Change in Net Assets	97,873	(11,407)	86,466
Net Assets-beginning of year	<u>758,198</u>	<u>374,333</u>	<u>1,132,531</u>
Net Assets-end of year	<u>\$ 856,071</u>	<u>362,926</u>	<u>1,218,997</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
ASSETS			
Cash and investments			
Cash & cash equivalents	\$ 468,536	12,491	481,027
Receivables			
Accounts receivable	<u>16,927</u>	<u>-</u>	<u>16,927</u>
TOTAL ASSETS	<u>\$ 485,463</u>	<u>12,491</u>	<u>497,954</u>
LIABILITIES			
Accounts payable	<u>\$ 6,731</u>	<u>-</u>	<u>6,731</u>
FUND EQUITY			
Fund balances			
Reserved	-	12,491	12,491
Unreserved	<u>478,732</u>	<u>-</u>	<u>478,732</u>
Total Fund Equity	<u>478,732</u>	<u>12,491</u>	<u>491,223</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 485,463</u>	<u>12,491</u>	<u>497,954</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
482,687	12,491	495,178
19,322	-	19,322
502,009	12,491	514,500
10,929	-	10,929
-	12,491	12,491
491,080	-	491,080
491,080	12,491	503,571
502,009	12,491	514,500

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE
GOVERNMENT-WIDE STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

	JUNE 30,	
	<u>2010</u>	<u>2009</u>
Total Fund Balances - Total Governmental Funds	\$ 491,223	503,571
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Depreciable buildings, property and equipment	<u>399,811</u>	<u>347,500</u>
Net Assets of Governmental Activities	<u>\$ 891,034</u>	<u>851,071</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEARS ENDED JUNE 30, 2010 AND 2009

FOR THE YEAR ENDED JUNE 30, 2010

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES			
Intergovernmental programs	\$ 17,315	-	17,315
Miscellaneous revenue	14,017	-	14,017
Taxes	<u>119,074</u>	<u>-</u>	<u>119,074</u>
Total Revenues	<u>150,406</u>	<u>-</u>	<u>150,406</u>
EXPENDITURES			
Current			
General government	119,943	-	119,943
Capital outlay	<u>42,811</u>	<u>-</u>	<u>42,811</u>
Total Expenditures	<u>162,754</u>	<u>-</u>	<u>162,754</u>
Net changes in fund balance	(12,348)	-	(12,348)
Fund Balance - beginning of year	<u>491,080</u>	<u>12,491</u>	<u>503,571</u>
Fund Balance - end of year	<u>\$ 478,732</u>	<u>12,491</u>	<u>491,223</u>

FOR THE YEAR ENDED JUNE 30, 2009

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES			
Intergovernmental programs	\$ 10,293	-	10,293
Miscellaneous revenue	1,417	100	1,517
Taxes	<u>193,332</u>	<u>-</u>	<u>193,332</u>
Total Revenues	<u>205,042</u>	<u>100</u>	<u>205,142</u>
EXPENDITURES			
Current			
General government	112,269	-	112,269
Capital outlay	<u>18,343</u>	<u>-</u>	<u>18,343</u>
Total Expenditures	<u>130,612</u>	<u>-</u>	<u>130,612</u>
Net changes in fund balance	74,430	100	74,530
Fund Balance - beginning of year	<u>416,650</u>	<u>12,391</u>	<u>429,041</u>
Fund Balance - end of year	<u>\$ 491,080</u>	<u>12,491</u>	<u>503,571</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

**RECONCILIATION OF THE GOVERNMENT FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES AND CHANGES
IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009**

Net Change in Fund Balances - Total Governmental Funds	\$ (12,348)	74,430
Amount reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds do not include donations of capital assets	9,500	-
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. net of depreciation expense.	42,811	18,343
Change in Net Assets of Governmental Activities	\$ 39,963	92,773

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

STATEMENTS OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2010 AND 2009

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	MUNICIPAL AUTHORITY	
	JUNE 30,	
	2010	2009
ASSETS		
Cash and investments		
Cash & cash equivalents	\$ 48,140	58,725
Receivables		
Accounts receivable	1,020	1,020
CAPITAL ASSETS		
Depreciable buildings, property and equipment net of depreciation	352,586	367,367
TOTAL ASSETS	\$ 401,746	427,112
LIABILITIES		
Accounts payable	\$ -	118
Accrued interest payable	80	80
Notes payable	62,436	63,988
TOTAL LIABILITIES	62,516	64,186
NET ASSETS		
Invested in capital assets, net of related debt	290,150	309,418
Restricted	8,263	7,975
Unrestricted	40,817	45,533
TOTAL NET ASSETS	\$ 339,230	362,926

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
YEARS ENDED JUNE 30, 2010 AND 2009

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	MUNICIPAL AUTHORITY	
	JUNE 30,	
	<u>2010</u>	<u>2009</u>
REVENUES		
Sewer	\$ 13,659	14,117
UTILITY OPERATIONS EXPENSE		
Administrative costs	678	1,310
Maintenance and operation	16,072	4,553
Depreciation expense	14,781	14,781
Lab testing	3,620	3,095
Total operations expense	35,151	23,739
INCOME BEFORE NON-OPERATING REVENUES EXPENSES AND TRANSFERS	(21,492)	(9,622)
Non-operating revenues (expenses)		
Interest revenue	960	1,451
Interest expense	(3,164)	(3,236)
Total non-operating revenues (expenses)	(2,204)	(1,785)
NET INCOME	(23,696)	(11,407)
RETAINED EARNINGS, BEGINNING OF THE YEAR	362,926	374,333
RETAINED EARNINGS, END OF THE YEAR	\$ 339,230	362,926

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEARS ENDED JUNE 30, 2010 AND 2009

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	MUNICIPAL AUTHORITY	
	<u>JUNE 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers & service users	\$ 13,659	14,117
Cash payments for goods & services & employees	<u>(20,488)</u>	<u>(8,958)</u>
Net cash provided by operating activities	<u>(6,829)</u>	<u>5,159</u>
Cash flows from financing activities		
Principal paid on note	(1,552)	(1,061)
Interest paid	<u>(3,164)</u>	<u>(3,236)</u>
Net cash provided by financing activities	<u>(4,716)</u>	<u>(4,297)</u>
Cash flows from investing activities		
Interest earnings	<u>960</u>	<u>1,451</u>
Net cash provided by investing activities	<u>960</u>	<u>1,451</u>
Net increase (decrease) in cash & cash equivalents	(10,585)	2,313
Cash & cash equivalents - beginning of year	<u>58,725</u>	<u>56,412</u>
Cash & cash equivalents - end of year	<u>\$ 48,140</u>	<u>58,725</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (21,492)	(9,622)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	14,781	14,781
Change in assets and liabilities:		
Increase (decrease) in accounts payable	<u>(118)</u>	<u>-</u>
Total adjustments	<u>14,663</u>	<u>14,781</u>
Net cash provided by operating activities	<u>\$ (6,829)</u>	<u>5,159</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Earlsboro, Oklahoma (the Town) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

1. The financial statements include:
 - a. Financial statements prepared using full accrual accounting for all of the Town’s activities.
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

A. Reporting Entity

The Town of Earlsboro, Oklahoma is organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (electric, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, planning and zoning, and low income apartment rentals for the geographical area organized as the Town of Earlsboro, Oklahoma.

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

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units/Trusts:

The Earlsboro Public Works Authority (EPWA) was created pursuant to a Trust Indenture, for the benefit of the Town of Earlsboro, Oklahoma. EPWA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer, facilities for the Town of Earlsboro. The water and sanitary sewer disposal systems owned by the Town have been leased to EPWA until such date that all indebtedness of the Authority is retired or provided for. EPWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the Town Council. EPWA is exempt from State and Federal Income taxes. EPWA is reported as an enterprise fund.

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

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

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

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

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

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

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

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

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

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The following are the Town's major governmental funds:

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

Other governmental funds of the Town that are considered non-major funds include:

Special Revenue Funds – account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The following is the Town's Special Revenue Funds: Fire Fund.

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

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business 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 where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following is the Town's major enterprise fund:

Earlsboro Public Works Authority – accounts for the operations of providing public works (sewer) to the Town.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity

1. Deposits and Investments

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

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments.

2. Fair Value of Financial Instruments

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

3. Estimates

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

4. Receivables and Payables

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

5. Inventories

Inventories in governmental funds and other funds normally consist of minimal amounts of expendable supplies held for consumption. The cost of such inventories are recorded as expenditures when purchased rather than when consumed.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Capital Assets

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

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

The financial statements of Earlsboro Public Works Authority include property and equipment. Depreciation has not charged in prior years. This is a variance from accounting principles generally accepted in the United States of America.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings	40 - 100 years	40 - 100 years
Furniture, Fixtures and Equipment	10 - 100 years	10 - 100 years
Land Improvements	10 - 100 years	10 - 100 years
Vehicles	5 - 40 years	5 - 40 years
Infrastructure	40 - 100 years	40 - 100 years

The Town and the Earlsboro Public Works Authority has not maintained accurate capital assets records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business-Type Activities is not readily determinable.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

7. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation time. Full-time and part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the Town or component unit.

8. Long-term Obligations

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

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

9. Net Assets

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

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United State of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements. GAAP requires that the budget to actual financial statement be presented for all funds which prepare an annual budget. This financial statement was not presented since no annual budget was prepared.

After July 1, an Estimate of Needs, or budget, which is submitted to the Town Council for approval. The budget is then forwarded to the County Excise Board. Public hearings are held at regular or special meetings to obtain taxpayer input. The budget is legally enacted through approval of the County Excise Board. The operating budget, for all budgeted fund, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriation at this level. All budget revisions at the legal level are subject to final approval by the Town Council. All annual appropriations lapse at year-end.

The Town uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent.

The Town did not adopt a budget for the year ended June 30, 2010.

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized 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 secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments (Continued)

collateral to U.S. Treasury and agency securities and direct obligations of the state, municipalities, counties, and school Town s in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 2 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, 2010 the Town held deposits of approximately \$382,162 and investments of \$147,049 at financial institutions. The Town 's cash deposits, including interest-bearing accounts, and investments are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town 's name. Therefore, the Town was not exposed to custodial credit risk as defined above.

Investment Credit Risk

The Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. 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.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school Town debt obligations for which an ad valorem tax may be levied.

The Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

6. Money market funds regulated by the SEC and in which investments consist of the investments of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school Town .
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments (Continued)

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Town has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The Town had no investment credit risk as of June 30, 2010, as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Town. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The Town places no limit on the amount it may invest in any one issuer.

At June 30, 2010, the Town had 80% concentration of credit risk as defined above.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Capital Assets

The capital asset balances of the governmental activities have been restated due to omissions in the prior year.

Governmental Activities:	Beginning Balance <u>July 1, 2009</u>	<u>Additions</u>	Ending Balance <u>June 30, 2010</u>
Buildings	\$ 56,291	-	56,291
Infrastructure	249,344	-	249,344
Equipment	23,865	52,311	76,176
Land	<u>18,000</u>	<u>-</u>	<u>18,000</u>
Total	<u>\$ 347,500</u>	<u>52,311</u>	<u>399,811</u>
 Business-Type Activities:			
Lagoon	\$ 591,240	-	591,240
Less:			
Depreciation	<u>(223,873)</u>	<u>(14,781)</u>	<u>(238,654)</u>
Net	<u>\$ 367,367</u>	<u>(14,781)</u>	<u>352,586</u>

C. Long-term Debt

The Town does not maintain a general long-term debt account group since all long-term liabilities are recorded in the Town's component units. The Town is not obligated in any manner for the debt of its component units or trusts. The following is a summary of long-term debt transactions of the component units and trust of the Town:

	Balance Outstanding <u>June 30, 2009</u>	<u>Retired</u>	Balance Outstanding <u>June 30, 2010</u>
Earlsboro Public Works Authority			
Note payable			
92-01 @ 5%			
Rural Development	<u>\$ 63,988</u>	<u>(1,552)</u>	<u>62,436</u>

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Long-term Debt (Continued)

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2011	\$ 1,631	3,085	4,716
2012	1,715	3,001	4,716
2013	1,802	2,914	4,716
2014-18	10,493	13,087	23,580
2019-23	13,456	10,124	23,580
2024-28	17,283	6,297	23,580
2029-32	<u>16,056</u>	<u>1,581</u>	<u>17,637</u>
Total	<u>\$ 62,436</u>	<u>40,089</u>	<u>102,525</u>

Principal, redemption premium, and interest on EPWA debt are payable from the gross revenues of the water, sanitary sewer and solid waste disposal systems, and from other funds established by the bond indentures.

4. AUTHORITIES

A. Earlsboro Public Works Authority (A Blended Component Unit)

UTILITY OPERATIONS:

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

5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 28, 2011, which is the date the financial statements were available to be issued.

WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF COMBINED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 28, 2011

Honorable Mayor and
Members of the Town Council
Town of Earlsboro
Earlsboro, Oklahoma

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Earlsboro, Earlsboro, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town of Earlsboro, Earlsboro, Oklahoma's basic financial statements and have issued our report thereon dated November 28, 2011. The report on governmental activities and business type activities, was qualified because of the lack of fixed asset records and depreciation expense. 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 opinions 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 10-1 and 10-2 to be material weaknesses.

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 questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Independent Auditors' 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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 10-3 through 10-8.

We also noted certain other matters that we reported to the management of Town of Earlsboro, Earlsboro, Oklahoma, in a separate letter dated November 28, 2011.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 the Town Council and management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Dotson & Associates

Wilson, Dotson & Associates, PLLC
Certified Public Accountants

TOWN OF EARLSBORO
Earlsboro, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2010

Finding 10-01:

Financial Records

Criteria

The City/Treasurer is responsible to properly reconcile the bank accounts to the financial records on a monthly basis

Condition

The City/Treasurer did not properly reconcile the bank accounts to the financial records

Cause

The City/Treasurer lacked knowledge to properly reconcile bank accounts.

Effect

The financial records reflected an overstated balance for cash.

Town Response

The City/Treasurer has been instructed on the proper method to ensure the bank accounts and financial records are properly reconciled.

Finding 10-02:

Financial Statements

Criteria

The Town is required to have internal controls over financial reporting, which includes the presentation of the annual financial statements in accordance with generally accepted accounting principles.

Condition

The Town did not prepare financial statements in accordance with GAAP.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2010

Finding 10-02 (Continued)

Cause

The Town's administrative staff lacks the necessary knowledge, expertise and education relative to preparing GAAP financial statements, as in the case of many smaller entities.

Effect

The financial statements were prepared with the assistance of the external auditor and a board member.

Town Response

The Town will train the City/Treasurer to prepare the necessary adjustments to prepare the financial statements in accordance with GAAP.

Finding 10-03:

Records

Criteria

The Town is required to maintain all records and make the records available, in accordance with State Statutes.

Condition

During our audit we requested records that could not be presented.

Cause

The records requested had been taken to the City/Treasurer's home.

Effect

The records were not available but were presented later.

Town Response

The Town will instruct the City/Treasurer that the records must be maintained at the Town Hall.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2010

Finding 10-04:

Records

Criteria

The Town is required to maintain all records and make the records available, in accordance with State Statutes.

Condition

During our audit we requested records that could not be presented. The records requested were correspondence from the Internal Revenue Service and Oklahoma Tax Commission which related to penalties and interest due from the untimely paying of withholdings in the prior year.

Cause

The records had not been kept by the City/Treasurer.

Effect

The City/Treasurer informed us that she had paid all related penalties and interest and did not maintain the correspondence.

Town Response

The Town had informed the City/Treasurer that all records will be maintained, as required by Oklahoma Statutes.

Finding 10-05:

Appropriations

Criteria

The Town is required to prepare an Estimate of Needs each year, which is approved by the Town Council and County Excise Board.

Condition

An Estimate of Needs was not prepared or approved.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2010

Finding 10-05: (Continued)

Cause

The City/Treasurer did not provide the information to prepare an Estimate of Needs.

Effect

The Town was in noncompliance with the Oklahoma Statutes

Town Response

The Town Council will ensure that Estimate of Needs are prepared and approved each year.

Finding 10-06:

Expenditures

Criteria

The Town is required to have internal controls in place to ensure that the expenditures made are authorized and allowable.

Condition

The invoices are not signed as received.

Cause

The Town issued checks prior to having the proper documentation in place.

Effect

The supporting documentation does not reflect if the Town received the goods and/or services.

Town Response

The Town Council will instruct the City/Treasurer not to make any payments without the supporting documentation.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2010

Finding 10-07:

Appropriations Ledger

Criteria

The Town is required to maintain an appropriations ledger to properly encumber the purchase orders.

Condition

The City/Treasurer did not maintain an appropriations ledger.

Cause

The City/Treasurer had maintained an appropriations ledger in the past but stopped.

Effect

An appropriations ledger is used as an internal control to prevent expending in excess of the available appropriations.

Town Response

The Town Council will instruct the City/Treasurer to maintain appropriation ledgers.

Finding 10-08:

Payroll

Criteria

The Town is required to maintain internal control to ensure that wages are paid properly.

Condition

One employee has worked in excess of forty (40) hours but was not paid time and a half for the hours over forty.

Cause

The City/Treasurer prepared the payroll without calculating the time and a half

**TOWN OF EARLSBORO
Earlsboro, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2010**

Finding 10-08: (Continued)

Effect

The Town did not pay the wages in accordance with the Fair Labor Standards Act.

Town Response

The Town will instruct the City/Treasurer of the proper method to determine when overtime should be paid.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2010

Finding 09-01:

Financial Records

The finding that the financial records were not properly reconciled continued in the current fiscal year.

Finding 09-02:

Financial Statements

The finding that the Town did not have adequate controls to prepare financial statements continued in the current fiscal year.

Finding 09-03:

Records

The finding that records were not made readily available continued in the current fiscal year.

Finding 09-04:

Appropriations

The finding that the Town did not file an Estimate of Needs continued during the current fiscal year.

Finding 09-05:

Purchase Orders

The finding that the Town did not sign invoices as received continued in the current fiscal year.

Finding 09-06:

Expenditures

The finding that the Town did not maintain adequate documentation to support the expenditures continued in the current fiscal year.

**TOWN OF EARLSBORO
Earlsboro, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2010**

Finding 09-07:

Payroll

The finding that the Town did not pay payroll related liabilities was corrected in the current fiscal year.

Finding 09-08:

Payroll

The finding that the Town did not pay overtime for hours in excess of forty (40) hours continued in the current fiscal year.