

FINANCIAL STATEMENTS  
AND  
AUDITOR'S REPORTS

THE TOWN OF FARGO  
For the years ended  
JUNE 30, 2015 and 2014

## TABLE OF CONTENTS

Independent Auditor's Report	1
Statement of Net Position	4
Statement of Activities	5
Balance Sheet – Governmental Fund	6
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Fund	7
Statement of Net Position – Proprietary Fund	8
Statement of Revenue, Expenditures and Changes in Fund Net Position - Proprietary Fund	9
Statement of Cash Flows – Proprietary Fund	10
Notes to the Financial Statements	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17
Schedule of Findings and Responses	20
Schedule of Expenditures of Federal and State Awards	25

*dwg, inc. Certified Public Accountant and Consultant*

Independent Auditor's Report

To the Board of Trustees  
Town of Fargo, Oklahoma

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Town of Fargo, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Town of Fargo's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Town of Fargo's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of Town of Fargo as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

The board of trustees and management of the Town of Fargo have omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

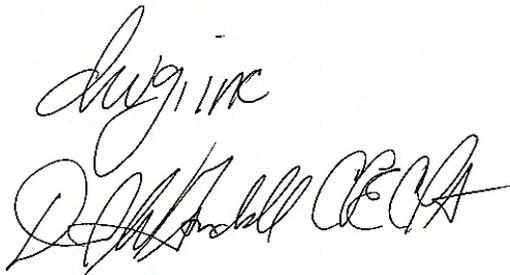
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Fargo's basic financial statements.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by grantor agencies. This schedule is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2016 on our consideration of Town of Fargo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fargo's internal control over financial reporting and compliance.

Handwritten signature of Eugene D. Marshall CPA. The signature is written in cursive and includes the name 'Eugene' on the top line and 'D. Marshall CPA' on the bottom line.

Oklahoma City, Oklahoma  
August 15, 2016

**Town of Fargo**  
**Statement of Net Position**  
**For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>			<u>2014</u>		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
<b>ASSETS</b>						
Cash	\$ 56,676	\$ 294,497	\$ 351,173	\$ 70,792	\$ 215,861	\$ 286,653
Accounts receivable	-	18,685	18,685	-	15,001	15,001
Allowance for doubtful accounts	-	(9,180)	(9,180)	-	(9,180)	(9,180)
Taxes receivable	13,685	-	13,685	13,278	-	13,278
Grants receivable	-	124,390	124,390	-	-	-
Prepaid expenses	1,961	600	2,561	893	2,316	3,209
Internal balances	(7,319)	7,319	-	(4,676)	4,676	-
Restricted cash	-	1,089	1,089	-	1,511	1,511
Restricted investments	-	-	-	-	8,936	8,936
Depreciable capital assets	417,883	1,022,406	1,440,289	405,318	721,489	1,126,807
Accumulated depreciation	(303,182)	(425,694)	(728,876)	(289,605)	(394,817)	(684,422)
Total Assets	<u>179,704</u>	<u>1,034,112</u>	<u>1,213,816</u>	<u>196,000</u>	<u>565,793</u>	<u>761,793</u>
<b>LIABILITIES</b>						
Accounts payable	13,436	177,241	190,677	17,958	2,201	20,159
Payroll liabilities	1,404	-	1,404	2,518	-	2,518
Refundable fees and deposits	-	8,792	8,792	-	8,447	8,447
Current loans payable	-	7,850	7,850	-	16,400	16,400
Long-term debt	-	35,043	35,043	-	-	-
Total Liabilities	<u>14,840</u>	<u>228,926</u>	<u>243,766</u>	<u>20,476</u>	<u>27,048</u>	<u>47,524</u>
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	114,701	553,819	668,520	115,713	310,272	425,985
Restricted	-	42,893	42,893	-	16,400	16,400
Unrestricted	50,163	208,474	258,637	59,811	212,073	271,884
Total Net Position	<u>\$ 164,864</u>	<u>\$ 805,186</u>	<u>\$ 970,050</u>	<u>\$ 175,524</u>	<u>\$ 538,745</u>	<u>\$ 714,269</u>

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

**Town of Fargo**  
**Statement of Activities**  
**For the Years Ended June 30, 2015 and 2014**

2015	Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Activities
	Governmental activities:							
	General government	\$ (77,041)	\$ 5,766	\$ -	\$ -	\$ (71,275)	\$ -	\$ (71,275)
	Economic development	-	-	-	-	-	-	-
	Police and Court	-	5,939	-	-	5,939	-	5,939
	Rents	-	640	-	-	640	-	640
	Other Income	-	-	-	-	-	-	-
	Total governmental activities	(77,041)	12,345	-	-	(64,696)	-	(64,696)
	Business-type activities:							
	Utility administration	(22,438)	4,583	-	-	-	(17,855)	(17,855)
	Sewer	(22,576)	22,147	-	-	-	(429)	(429)
	Trash	(25,131)	33,127	-	-	-	7,996	7,996
	Water	(48,344)	56,482	-	254,983	-	263,121	263,121
	Total business-type activities	(118,489)	116,339	-	254,983	-	252,833	252,833
	Total all activities	(195,530)	128,684	-	254,983	(64,696)	252,833	188,137
	Interest expensed in:							
	Water	1,034						
	Total interest expensed	\$ 1,034						
				General revenues:				
				Sales and use taxes	29,157	10,071	39,228	
				Franchise taxes	11,249	-	11,249	
				Tobacco taxes	355	-	355	
				Alcohol beverage taxes	16,366	-	16,366	
				State gasoline taxes	-	-	-	
				Commercial vehicle taxes	-	-	-	
				Investment income	63	383	446	
				Transfers	(3,154)	3,154	-	
				Total general revenues and transfers	54,036	13,608	67,644	
				Change in net position	(10,660)	266,441	255,781	
				Net Position, beginning	175,524	538,745	714,269	
				Net Position, ending	\$ 164,864	\$ 805,186	\$ 970,050	

2014	Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Activities
	Governmental activities:							
	General government	\$ (76,458)	\$ 5,605	\$ -	\$ -	\$ (70,853)	\$ -	\$ (70,853)
	Economic development	-	-	-	-	-	-	-
	Police and court	-	5,204	-	-	5,204	-	5,204
	Rents	-	180	-	-	180	-	180
	Other Income	-	-	-	-	-	-	-
	Total governmental activities	(76,458)	10,989	-	-	(65,469)	-	(65,469)
	Business-type activities:							
	Utility administration	(25,108)	4,373	-	-	-	(20,735)	(20,735)
	Sewer	(14,381)	23,019	-	-	-	8,638	8,638
	Trash	(22,114)	33,405	-	-	-	11,291	11,291
	Water	(43,203)	50,949	-	16,867	-	24,613	24,613
	Total business-type activities	(104,806)	111,746	-	16,867	-	23,807	23,807
	Total all activities	(181,264)	122,735	-	16,867	(65,469)	23,807	(41,662)
	Interest expensed in:							
	Water department	271						
	Total interest expensed	\$ 271						
				General revenues:				
				Sales and use taxes	25,234	8,876	34,110	
				Franchise taxes	11,689	-	11,689	
				Tobacco taxes	316	-	316	
				Alcohol beverage taxes	15,993	-	15,993	
				State gasoline taxes	221	-	221	
				Commercial vehicle taxes	-	-	-	
				Investment income	71	293	364	
				Transfers	413	(413)	-	
				Total general revenues and transfers	53,937	8,756	62,693	
				Change in net position	(11,532)	32,563	21,031	
				Net position, beginning	187,056	506,182	693,238	
				Net position, ending	\$ 175,524	\$ 538,745	\$ 714,269	

**Town of Fargo  
Balance Sheet  
Governmental Fund  
As of June 30, 2015 and 2014**

General/Governmental Fund

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
Cash	\$ 56,676	\$ 70,792
Taxes receivable	13,685	13,278
Prepaid expenses	1,961	893
<b>TOTAL ASSETS</b>	<u>72,322</u>	<u>84,963</u>
<b>LIABILITIES</b>		
Accounts payable	13,436	17,958
Payroll liabilities	1,404	2,518
Due to other funds	7,319	4,676
<b>TOTAL LIABILITIES</b>	<u>22,159</u>	<u>25,152</u>
<b>FUND BALANCES</b>		
General Fund Unreserved	<u>50,163</u>	<u>59,811</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 72,322</u>	<u>\$ 84,963</u>

Reconciliation of general fund balance to net assets of governmental activities:

Capital Assets	114,701	115,713
Net assets of governmental activities	\$ 164,864	\$ 175,524

**Town of Fargo**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**  
**For the Years Ended June 30, 2015 and 2014**

	<u>General/Governmental Fund</u>	
	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Sales and use taxes	29,157	\$ 25,234
Franchise taxes	11,249	11,689
Other taxes	16,721	16,530
Court fees	5,939	5,204
Investment	63	71
Rental	640	180
Other revenues	5,766	5,605
<b>TOTAL REVENUES</b>	<u>69,535</u>	<u>64,513</u>
<b>EXPENDITURES</b>		
Personal services	13,768	14,403
Maintenance & supplies	19,844	13,084
Other goods & services	29,852	36,155
<b>TOTAL EXPENDITURES</b>	<u>63,464</u>	<u>63,642</u>
 REVENUES OVER (UNDER) EXPENDITURES FROM OPERATIONS	 6,071	 871
<b>OTHER FINANCING SOURCES (USES)</b>		
Capital Outlay	(12,565)	-
Transfers In (Out)	(3,154)	413
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(15,719)</u>	<u>413</u>
 NET CHANGE IN FUND BALANCE	 (9,648)	 1,284
<b>BEGINNING FUND BALANCE</b>	<u>59,811</u>	<u>58,527</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 50,163</u>	<u>\$ 59,811</u>

Reconciliation of the net change in fund balance to the change in net assets of governmental activities:

Net change in fund balance	(9,648)	1,284
Capital asset purchases capitalized	12,565	-
Depreciation expense	(13,577)	(12,816)
<b>Change in net assets of governmental activities</b>	<u>\$ (10,660)</u>	<u>\$ (11,532)</u>

**Town of Fargo**  
**Statement of Net Position**  
**Proprietary Fund**  
**As of June 30, 2015 and 2014**

Proprietary Fund

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current Assets		
Unrestricted cash	\$ 294,497	\$ 215,861
Utility billing receivables	18,685	15,001
Allowance for doubtful accounts	(9,180)	(9,180)
Grants receivable	124,390	-
Prepaid expenses	600	2,316
Due from other funds	7,319	4,676
Total current assets	<u>436,311</u>	<u>228,674</u>
Noncurrent Assets		
Restricted cash	1,089	1,511
Restricted investments	-	8,936
Depreciable capital assets	1,022,406	721,489
Accumulated depreciation	(425,694)	(394,817)
Net capital assets	<u>596,712</u>	<u>326,672</u>
<b>TOTAL ASSETS</b>	<u><u>1,034,112</u></u>	<u><u>565,793</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	177,241	2,201
Current portion of long-term debt	7,850	16,400
Total current liabilities	<u>185,091</u>	<u>18,601</u>
Noncurrent liabilities		
Meter deposits refundable	8,792	8,447
Long-term debt, less current portion	35,043	-
Total noncurrent liabilities	<u>43,835</u>	<u>8,447</u>
<b>TOTAL LIABILITIES</b>	<u><u>228,926</u></u>	<u><u>27,048</u></u>
<b>NET POSITION</b>		
Invested in capital assets, net of debt	553,819	310,272
Restricted for:		
Debt service	42,893	16,400
Unrestricted	208,474	212,073
<b>TOTAL NET POSITION</b>	<u><u>\$ 805,186</u></u>	<u><u>\$ 538,745</u></u>

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

**Town of Fargo**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the years ended June 30, 2015 and 2014**

	<u>Proprietary Fund</u>	
	<u>2015</u>	<u>2014</u>
<b>Operating income</b>		
Water Charges	\$ 56,482	\$ 50,949
Sewer Charges	22,147	23,019
Trash Charges	33,127	33,405
Late Charges	4,841	4,860
Other income (expense)	(259)	(487)
Sales Tax Revenue	10,071	8,876
Total Revenues	<u>126,409</u>	<u>120,622</u>
<b>Operating expenses</b>		
Personal services	22,960	20,535
Materials & supplies	19,775	19,357
Depreciation Expense	30,876	31,936
Other services & charges	43,843	32,707
Total operating expenses	<u>117,454</u>	<u>104,535</u>
Excess operating revenue	8,955	16,087
<b>Other income (expense)</b>		
Capital grant revenue	254,983	16,867
Interest Expense	(1,034)	(271)
Interest Income	383	293
Total other income (expense)	<u>254,332</u>	<u>16,889</u>
Income before transfers	263,287	32,976
TRANSFERS IN (OUT)	3,154	(413)
CHANGE IN NET POSITION	<u>266,441</u>	<u>32,563</u>
NET POSITION, BEGINNING	538,745	506,182
NET POSITION, ENDING	<u>\$ 805,186</u>	<u>\$ 538,745</u>

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

**Town of Fargo  
Statement of Cash Flows  
Proprietary Fund  
For the years ended June 30, 2015 and 2014**

	<u>Proprietary Fund</u>	
	<u>2015</u>	<u>2014</u>
<b>Cash flows from operations:</b>		
Customers	\$ 113,258	\$ 114,043
Sales tax	5,489	7,143
Other sources	(259)	(487)
Cash payments for:		
Salaries and benefits	(22,960)	(20,535)
Goods and services	(55,678)	(55,939)
Net cash provided from operations	<u>39,850</u>	<u>44,225</u>
<b>Cash flows from investing activities:</b>		
Capital grants	130,593	16,867
Capital expenditures	(130,162)	(16,867)
Net cash provided (used) from investing activities	<u>431</u>	<u>-</u>
<b>Cash flows from capital financing activities:</b>		
Transfers from (to) general fund	3,154	(413)
Debt payments	(10,498)	(7,200)
Loan proceeds	46,350	-
Interest paid on debt	(1,034)	(271)
Interest income	383	293
Interest reinvested in debt service investments	-	413
Net cash used in capital financing activities	<u>38,355</u>	<u>(7,178)</u>
Net increase (decrease) in cash	78,636	37,047
Beginning cash	215,861	178,814
Ending cash	<u>\$ 294,497</u>	<u>\$ 215,861</u>
<b>Reconciliation of operating income to net cash provided from operations:</b>		
Operating income (loss)	\$ 8,955	\$ 16,087
Adjustments to income from operations:		
Depreciation and amortization	30,876	31,936
Change in assets and liabilities:		
(Increase) decrease in receivables	(3,684)	1,582
(Increase) decrease in prepaid expenses	1,716	(1,485)
(Increase) decrease in due from other funds	(2,643)	(1,733)
Increase (decrease) in accounts payable	4,285	(2,389)
Increase (decrease) in refundable deposits	345	227
Net cash provided by operations	<u>\$ 39,850</u>	<u>\$ 44,225</u>
<b>Reconciliation of cash accounts</b>		
Cash	\$ 294,497	\$ 215,861
Restricted cash	1,089	1,511
Total Cash	<u>\$ 295,586</u>	<u>\$ 217,372</u>

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

**Note 1 - Summary of Significant Accounting Policies**

Financial Reporting Entity

The Town of Fargo, Oklahoma is a statutory town government under Oklahoma Statutes. The Town provides the following services: sanitation collection, water and sewer infrastructure.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2015 and 2014, the City had one component unit: Fargo Utilities Authority.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

As of June 30, 2015 and 2014, the Town consisted of one governmental general fund. The proprietary fund consisted of the Fargo Utilities Authority.

Basis of Accounting

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

**FUND FINANCIAL STATEMENTS**

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major

**Note 1 - Summary of Significant Accounting Policies (continued)**

fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**GOVERNMENTAL FUNDS**

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursement due for federally funded projects is accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services and miscellaneous income are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decrease in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**PROPRIETARY FUNDS**

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation of costs of providing services, which include administrative expenses and depreciation, is recorded in proprietary funds. Other revenues and expenses are classified as non-operating in the financial statements. The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible. If no FASB ASC pronouncement is applicable then Government Accounting Standards Board pronouncements are used.

Cash and Cash Equivalents

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 short-term investments with original maturities of three months or less from the date of acquisition. Restricted cash consists of meter deposits.

Property, Plant and Equipment

Fixed assets used in governmental fund type operations are accounted for in the Government Wide Financial statements and the Proprietary Fund Financial statements. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the financial statements.

**Note 1 - Summary of Significant Accounting Policies (continued)**

Property, plant and equipment acquired for proprietary funds are capitalized at cost and depreciated over their estimated useful lives using the straight-line method of depreciation. Estimated useful lives have been estimated as follows:

Buildings	25 - 50 years
Machinery & equipment	3 - 20 years

**Long-term Debt**

Long-term debt to be repaid from governmental funds is recorded in the general long-term debt account group. Long-term debt to be repaid from proprietary funds is recorded in the fund. The current portion of long-term debt to be repaid within one year is recorded in the fund.

**Accounts Payable**

The Town is responsible for outstanding obligations to vendors and others for operating materials, services or other charges.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2015 or 2014.

**Interfund Balances**

Generally, outstanding balances between funds reported as due to/from other funds include outstanding charges by one fund to another for services or goods or other miscellaneous receivables/payables between funds.

All activity between governmental and business-type activities is eliminated and any residual balances outstanding between the activities are reported in the government-wide financial statements as internal balances.

**Budget**

In accordance with Oklahoma Statutes, Title 68, Section 2483, the Town Board of Trustees formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code.

**Risk Management**

Significant losses are covered by commercial insurance for all Town operations.

**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.

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements in order to conform to the current presentation.

Notes to the Financial Statements  
Town of Fargo  
For the Years Ended June 30, 2015 & 2014

**Note 2 - Cash and Investments**

Deposits and investments made by the City are summarized below. The deposits are classified as to credit risk within the following three categories:

- Category 1 Insured or collateralized with securities held by the City or 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 (this includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Town's name).

For the years ending June 30, 2015 and 2014, the Town and its component units had category 1 deposits up to the FDIC insurance limits.

**Note 3 - Property, Plant and Equipment**

Summaries of fixed assets are included below:

	<b>6/30/14</b>			<b>6/30/15</b>
	<b>Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b>
<b><u>Fargo General Fund</u></b>				
Buildings	\$ 65,936			\$ 65,936
Equipment	36,982	3,565		40,547
Fire Equipment	302,400	9,000		311,400
Total Fixed Assets	405,318	12,565		417,883
Accumulated Depreciation	(289,605)	(13,577)		(303,182)
<b>Net Fixed Assets</b>	<b>\$ 115,713</b>	<b>(1,012)</b>		<b>\$ 114,701</b>

	<b>6/30/14</b>			<b>6/30/15</b>
	<b>Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b>
<b><u>Fargo Utility Authority</u></b>				
Buildings	\$ 2,295			\$ 2,295
Equipment	138,534	1,007		139,541
Utility Plant	561,924	318,645		880,570
Construction in Progress	18,736		(18,736)	-
Total Fixed Assets	721,489	319,652	(18,736)	1,022,406
Accumulated Depreciation	(394,817)	(30,877)		(425,694)
<b>Net Fixed Assets</b>	<b>\$ 326,672</b>	<b>288,775</b>		<b>\$ 596,712</b>

Notes to the Financial Statements  
Town of Fargo  
For the Years Ended June 30, 2015 & 2014

	6/30/13		6/30/14	
	Balance	Additions	Deletions	Balance
<b>Fargo General Fund</b>				
Buildings	\$ 65,936			\$ 65,936
Equipment	36,982			36,982
Fire Equipment	302,400			302,400
Total Fixed Assets	405,318			405,318
Accumulated Depreciation	(276,789)	(12,816)		(289,605)
<b>Net Fixed Assets</b>	<b>\$ 128,529</b>	<b>(12,816)</b>		<b>\$ 115,713</b>

	6/30/13		6/30/14	
	Balance	Additions	Deletions	Balance
<b>Fargo Utility Authority</b>				
Buildings	\$ 2,295			\$ 2,295
Equipment	138,534			138,534
Utility Plant	561,924			561,924
Construction in Progress	1,869	16,867		18,736
Total Fixed Assets	704,622	16,867		721,489
Accumulated Depreciation	(362,882)	(31,936)		(394,817)
<b>Net Fixed Assets</b>	<b>\$ 341,740</b>	<b>(15,069)</b>		<b>\$ 326,672</b>

**Note 4 - Long-term Debt**

Proprietary Funds

The following is a summary of the Fargo Utilities Authority's long-term debt transactions for the years ended June 30, 2015 and 2014:

	2015		2014	
Debt outstanding, beginning of year	\$	16,400	\$	23,600
Additions		46,350		-
Retirements and payments		(19,857)		(7,200)
Debt outstanding, end of year	\$	42,893	\$	16,400

The Fargo Utilities Authority executed a 25 year term, \$125,000 promissory note with the Oklahoma Resources Board (OWRB) October 11, 1990, for water and sewer system improvements. The note was secured by operating revenues of the FUA, 1% of the Town of Fargo's 3% sales tax, and a mortgage on certain real properties of the Town of Fargo. The note carried a variable annual rate, which changed September 1 and March 1 of each year. Principal and interest payments were made on August 15, November 15, February 1 and May 15 of each year. This note was paid in full on February 1, 2015. Interest payments were \$144 and \$271 during the years ending June 30, 2015 and 2014 respectively.

Notes to the Financial Statements  
Town of Fargo  
For the Years Ended June 30, 2015 & 2014

On March 1, 2015, Fargo Utilities Authority executed a five year \$46,350 promissory note with the Oklahoma Rural Development Finance Corporation for water system improvements. The loan is secured by revenues derived from the operation of the water and sewer system. The note carries a 4.75% annual interest rate with principal and interest payments of \$869 made monthly. During the year ended June 30, 2015 interest payments totaled \$890.

**Note 5 - Defined Benefit Pension Plans**

The Town participates in the following employee pension system:

**Oklahoma Firefighters Pension and Retirement System**

Plan Description - The Town contributes to the Oklahoma Firefighters Pension and Retirement System (the System); a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, Section 48-101 et seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their office at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105, or by calling 1-800-525-7461.

Funding Policy - Paid firefighters are required to contribute 8% of covered payroll, with the Town contributing 13% of covered payroll. Volunteer firefighters are not required to contribute, but the Town is required to contribute \$60 per volunteer, per year. The contribution requirements of the System are an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The Town's contribution to the System for the years ended June 30, 2015 and 2014 was \$ 660, equal to the required contribution for the years.

**Note 6 - 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 was no claims activity for the year ended June 30, 2015.

**Note 7 - Subsequent Events**

Management has performed an evaluation of the Town's activity through the audit report date and has concluded that there are no significant subsequent events requiring disclosure through that date.

*dwg, inc. Certified Public Accountant and Consultant*

**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**

*Independent Auditor's Report*

To the Board of Trustees  
Town of Fargo  
Fargo, Oklahoma

We have audited, 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 of the governmental activities and the business-type activities of the Town of Fargo as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Fargo's basic financial statements and have issued our report thereon dated August 15, 2016.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Fargo's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Fargo's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Fargo's internal control.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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 responses as findings 2015-1 and 2013-1 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as findings 2013-2, 2013-3 and 2013-5 to be significant deficiencies.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Fargo's financial statements are free from 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 responses as item 2015-1.

### **Town of Fargo's Response to Findings**

The Town of Fargo's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Fargo's response was not subjected to the auditing procedures applied in the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*dwg, inc*  
*David W. Gandall CFE, CPA*

dwg, inc.  
David W. Gandall, CFE, CPA  
August 15, 2016

**Current year finding:**

**2015-1**

**Criteria**

Management and the Board of Trustees should receive accurate financial statements for review at the end of each month. Sufficient resources should be devoted to maintaining the financial statements and related account balances.

**Condition**

In addition to utility billings that are incorrectly recorded as noted in prior year finding 2013-1 below, our audit resulted in numerous corrections due to incorrect and careless accounting regarding debt payments, grant receipts and payments, court fees, transfers between funds, etc. In addition several general fund entries were posted to the utilities authority and vice versa. Records documenting grant receipts and disbursements were poor including failure to properly administer the construction contract. This was included in the ten findings reported by the Oklahoma Department of Commerce in their letter dated March 9, 2016 as a result of their monitoring visit in February 2016.

**Cause**

Sufficient time and resources have not been allocated to maintaining the financial statements.

**Effect**

The result is financials that are materially misstated.

**Recommendation**

Care should be taken to record receipts and disbursements in the correct fund. In addition sales tax transfers should be made to the Utilities Authority monthly and debt payments should be posted correctly. A subsidiary ledger should be kept on all receipts and disbursements of grant funds which can be traced to supporting documentation and the general ledger. The Board should review financial statements monthly and request additional information on account balances when necessary.

## **Management's Response**

The Town of Fargo's board and management will work to adopt the auditor's recommendations.

### **Status of prior year findings:**

The following deficiencies were identified during the June 30, 2013 audit of the Town of Fargo. The status of each deficiency as of June 30, 2014 is noted below:

#### **2013-1**

##### **Criteria**

Utility billings should be reconciled to the financial statements on a monthly basis.

##### **Condition**

Utility billing reports are not reconciled to QuickBooks on a monthly basis.

##### **Cause**

The Town has a fairly new utility billing program. Further education from the vendor is required to fully integrate the billing system and the financial statements.

##### **Effect**

Monthly utility revenue is properly booked with the exception of late fees which are overstated. This results in an overstatement of utility revenue on the financial statements. In addition, the accounts receivable balance on the financial statements and the billing system accounts receivable aging are not in agreement. As a result, utility revenues in the financial statements are not accurately stated.

#### **2015 Status**

Due to the implementation of the new billing system, the process for recording utility revenue changed during the year ended June 30, 2014 and continued in 2015. Accounts receivable were not recorded in the financial statements at the time billed. When utility revenues were collected, they were credited to accounts receivable for a portion of the year and revenue for the remainder of the year. This resulted in a large credit balance in accounts receivable as of June 30, 2015, while utility revenue was not recorded in the books for part of the 2015 fiscal year. The monthly billings include water usage of four Town accounts which

are not reimbursed by the General Fund. This results in increased outstanding receivables on the customer accounts receivable aging report.

**Recommendation**

The Town Board of Trustees should require that the utility clerk present monthly utility billing reports that agree to revenue posted in the financial statements. The accounts receivable aging should be reconciled to the financial statements monthly. We also suggest that during the monthly reconciliation process, the water billings for the four Town accounts be recorded as a transfer to the General Fund. The General Fund should then record a transfer from the Utilities Authority and a corresponding expense. This could be done without a transfer of cash between the funds.

**Management's Response**

The Town of Fargo's board and management will work to adopt the auditor's recommendations.

**2013-2**

**Criteria**

The financial statements should reflect all financial transactions relating to the Town.

**Condition**

The Volunteer Fire Department has a checking account with transactions that impact the Town. The activity relating to this account is not recorded in the financial statements.

**Effect**

The Town's financial statements are not accurately stated.

**Recommendation**

The fire chief should provide a copy of the monthly bank statement to the Town bookkeeper, as well as a description of all receipts and disbursements. These transactions should then be recorded in the appropriate general ledger accounts of the Town.

**2015 Status**

This condition was still a deficiency as of June 30, 2015.

### **Management's Response**

The board will instruct the staff to adopt the auditor's recommendations.

### **2013-3**

#### **Criteria**

Mail received should be opened and sorted by personnel other than the employee performing bookkeeping and recordkeeping.

#### **Condition**

Only one employee opens the mail received by the Town.

#### **Effect**

Having the same employee open and sort mail received, as well as maintaining the books related to the mail received, provides an opportunity for the employee to commit fraudulent activity.

#### **Recommendation**

The Town's management should require that separate individuals open and sort and process the mail received.

### **2015 Status**

This condition was still a deficiency as of June 30, 2015.

### **Management's Response**

The board will instruct the staff to adopt the auditor's recommendations.

### **2013-4**

This condition was resolved in 2014.

### **2013-5**

#### **Criteria**

Checks that are not presented to the bank for payment should be voided in QuickBooks, rather than deleted.

**Condition**

Four Town checks were deleted rather than voided in 2013. Bank checks are not presented to the bank for payment for various reasons such as mutilation, inadvertent duplication, etc.

**Effect**

The procedure of deleting checks from QuickBooks, rather than voiding checks, does not provide a proper paper trail. Questions arise as to the status of the missing checks.

**Recommendation**

When bank checks need to be voided, the checks should be voided from QuickBooks, rather than deleted. The Town’s management and personnel should review proper accounting procedures for the QuickBooks accounting software.

**2015 Status**

There were eight missing checks in the general fund operations account and two in Utilities Authority accounts noted during the 2015 audit.

**Management’s Response**

The board will instruct the staff to adopt the auditor’s recommendations.

**Town of Fargo**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Years Ended June 30, 2015 and 2014**

Federal Grantor Pass-Through Grantor	Project Description	Federal CFDA Number	Grant Award	June 30, 2015		June 30, 2014	
				Revenues	Expenditures	Revenues	Expenditures
<b>U.S Department of Housing and Urban Development -</b> Oklahoma Department of Commerce	ODOC Community Development Block Grant 201	14.228	\$ 56,460	\$ 53,073	53,073	\$ -	-
<b>Oklahoma Water Resources Board</b>	OWRB REAP Grant No. FAP-13-0006-R		80,917	71,317	71,317	-	-
<b>Oklahoma Economic Development Authority:</b>	OEDA REAP 13-9 - Improve Water Storage		56,460	41,079	41,079	15,381	15,381
	OEDA REAP 14-9 - Water Radio and Telemetry System		41,000	39,514	39,514	1,486	1,486
	OEDA REAP 15-9 - Standpipe (Water)		50,000	50,000	50,000	-	-
<b>Total Oklahoma Economic Development Authority</b>			147,460	130,593	130,593	16,867	16,867
<b>Total Federal and State Grants</b>			<b>\$ 284,837</b>	<b>\$ 254,983</b>	<b>\$ 254,983</b>	<b>\$ 16,867</b>	<b>\$ 16,867</b>

**Note 1:**

Basis of Presentation

The above schedule of expenditures of federal and state awards includes the federal and state grant activity of the Town of Fargo and is presented on the accrual basis of accounting.