

FINANCIAL STATEMENTS
AND
AUDITOR'S REPORTS

THE TOWN OF FARGO
For the years ended
JUNE 30, 2013 and 2012

TABLE OF CONTENTS

Independent Auditor's Report	1
Statement of Net Position	4
Statement of Activities	5
Balance Sheet – Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	7
Statement of Net Position – Proprietary Funds	8
Statement of Revenue, Expenditures and Changes in Fund Net Position Proprietary Fund Type	9
Statement of Cash Flows	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

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, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Fargo, as of and for the years ended June 30, 2013 and 2012, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Fargo , as of June 30, 2013 and 2012, 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.

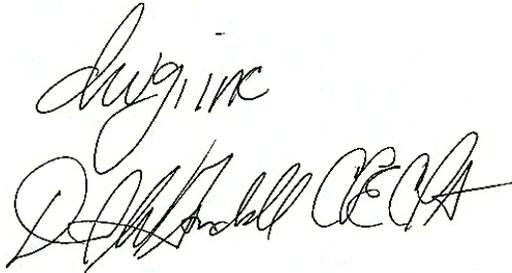
Other Matters

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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014 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 in black ink, appearing to read "D. J. Smith CPA". The signature is written in a cursive style.

Oklahoma City, Oklahoma
September 15, 2014

Town of Fargo
Statement of Net Position
For the Years Ended June 30, 2013 and 2012

	2013		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 49,805	\$ 178,814	\$ 228,619
Accounts receivable		16,584	16,584
Allowance for doubtful accounts		(9,180)	(9,180)
Taxes receivable	13,728		13,728
Prepaid expenses	1,058	831	1,889
Due from other funds		2,943	2,943
Restricted Cash		1,924	1,924
Investments		8,936	8,936
Depreciable capital assets	405,318	704,622	1,109,940
Accumulated depreciation	(276,789)	(362,882)	(639,671)
Total Assets	<u>193,120</u>	<u>542,592</u>	<u>735,712</u>
LIABILITIES			
Accounts payable	1,796	4,590	6,386
Payroll payable	1,325		1,325
Refundable fees and deposits		8,220	8,220
Current loans payable		7,400	7,400
Long-term debt		16,200	16,200
Due to other funds	2,943		2,943
Total Liabilities	<u>6,064</u>	<u>36,410</u>	<u>42,474</u>
NET POSITION			
Invested in capital assets, net of related deb	128,529	318,140	446,669
Restricted		23,600	23,600
Unrestricted	58,527	164,442	222,969
Total Net Position	<u>\$ 187,056</u>	<u>\$ 506,182</u>	<u>\$ 693,238</u>

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

**Town of Fargo
Statement of Activities
For the Years Ended June 30, 2013 and 2012**

2013		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
Functions/Programs	Expenses						
Governmental activities:							
General government	(71,960)	5,079	\$0	\$ -	\$ (66,881)	0	\$ (66,881)
Economic development	-	-	-	-	-	-	-
Rents	-	25	-	-	25	-	25
Other Income	-	-	-	-	-	-	-
Total governmental activities	(71,960)	5,104	-	-	(66,856)	-	(66,856)
Business-type activities:							
Utility administration	(47,231)	9,791	-	-	-	(37,440)	(37,440)
Sewer	(3,326)	19,970	-	-	-	16,644	16,644
Trash	(22,442)	29,864	-	-	-	7,422	7,422
Water	(42,922)	45,878	-	-	-	2,956	2,956
Total business-type activities	(115,921)	105,503	-	-	-	(10,418)	(10,418)
Total all activities	(187,881)	110,607	-	-	(66,856)	(10,418)	(77,274)
Interest expensed in:							
Sewer							
Water	397						
Total interest expensed	\$ 397						
				General revenues:			
				Sales and use taxes	21,755	8,654	30,409
				Franchise taxes	11,489	-	11,489
				Tobacco taxes	304	-	304
				Alcohol beverage taxes	15,437	-	15,437
				State gasoline taxes	1,417	-	1,417
				Commercial vehicle taxes	-	-	-
				Investment income	68	274	342
				Transfers	19,430	(19,430)	-
				Total general revenues and transfers	69,900	(10,502)	59,398
				Change in net position	3,044	(20,920)	(17,876)
				Net Position, beginning	184,012	527,102	711,114
				Net Position, ending	\$ 187,056	\$ 506,182	\$ 693,238

2012		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
Functions/Programs	Expenses						
Governmental activities:							
General government	\$ (94,963)	\$ 9,297	\$0	\$ 38,500	\$ (47,166)	0	\$ (47,166)
Economic development	-	3,902	-	-	-	-	-
Rents	-	-	-	-	3,902	-	3,902
Other Income	-	-	-	-	-	-	-
Total governmental activities	(94,963)	13,199	-	38,500	(43,264)	-	(43,264)
Business-type activities:							
Utility administration	(9,988)	10,156	-	-	-	168	168
Sewer	(10,370)	19,431	-	-	-	9,061	9,061
Trash	(22,823)	30,288	-	-	-	7,465	7,465
Water	(68,527)	47,776	-	-	-	(20,751)	(20,751)
Total business-type activities	(111,708)	107,651	-	-	-	(4,057)	(4,057)
Total all activities	(206,671)	120,850	0	38,500	(43,264)	(4,057)	(47,321)
Interest expensed in:							
Sewer	-						
Water	1,263						
Total interest expensed	\$ 1,263						
				General revenues:			
				Sales and use taxes	31,338	12,761	44,099
				Franchise taxes	10,479	-	10,479
				Tobacco taxes	557	-	557
				Alcohol beverage taxes	14,375	-	14,375
				State gasoline taxes	748	-	748
				Commercial vehicle taxes	-	-	-
				Investment income	67	291	358
				Transfers	(45,047)	45,047	-
				Total general revenues and transfers	12,517	58,099	70,616
				Change in net position	(30,747)	54,042	23,295
				Net position, beginning	210,336	473,060	683,396
				Prior period adjustments	4,423	-	4,423
				Net position, ending	\$ 184,012	\$ 527,102	\$ 711,114

**Town of Fargo
 Balance Sheet
 Governmental Fund
 As of June 30, 2013 and 2012**

General/Governmental Fund

ASSETS	<u>2013</u>	<u>2012</u>
Cash and investments	\$ 49,805	\$ 40,449
Taxes receivable	13,728	11,296
Prepaid expenses	1,058	690
	<u>64,591</u>	<u>52,435</u>
LIABILITIES		
Accounts payable	1,796	8,546
Payroll payable	1,325	1,223
Due to other funds	2,943	-
TOTAL LIABILITIES	<u>6,064</u>	<u>9,769</u>
FUND BALANCES		
General Fund Unreserved	<u>58,527</u>	<u>42,666</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 64,591</u>	<u>\$ 52,435</u>

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

Capital Assets	128,529	141,346
Net assets of governmental activities	\$ 187,056	\$ 184,012

Town of Fargo
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Years Ended June 30, 2013 and 2012

	<u>General/Governmental Fund</u>	
	<u>2013</u>	<u>2012</u>
REVENUES		
Sales and use taxes	\$ 21,755	31,338
Franchise taxes	11,489	10,479
Other taxes	17,158	15,680
Investment	68	67
Rental	25	3,902
Grants	-	38,500
Other revenues	5,079	9,297
TOTAL REVENUES	<u>55,574</u>	<u>109,263</u>
 EXPENDITURES		
Personal services	16,060	18,068
Maintenance & supplies	7,857	6,945
Other goods & services	35,226	57,101
TOTAL EXPENDITURES	<u>59,143</u>	<u>82,114</u>
 REVENUES OVER (UNDER) EXPENDITURES FROM OPERATIONS	 (3,569)	 27,150
 OTHER FINANCING SOURCES (USES)		
Capital Outlay	-	0
Transfers-in (out)	19,430	(45,047)
TOTAL OTHER FINANCING SOURCES (USES)	<u>19,430</u>	<u>(45,047)</u>
 NET CHANGE IN FUND BALANCE	 15,861	 (17,898)
 BEGINNING FUND BALANCE	 42,666	 56,174
Prior period adjustment See Note 8	-	4,389
ENDING FUND BALANCE	<u><u>\$58,527</u></u>	<u><u>\$42,666</u></u>

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

Net change in fund balance	15,861	(17,898)
Capital asset purchases capitalized	-	-
Depreciation expense	(12,816)	(12,816)
Change in net assets of governmental activities	<u>\$ 3,045</u>	<u>\$ (30,714)</u>

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

Town of Fargo
Statement of Net Position
Proprietary Fund
As of June 30, 2013 and 2012

	<u>Proprietary Fund</u>	
	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Unrestricted cash and cash equivalents	\$ 178,814	\$ 198,379
Utility billing receivables	16,584	20,768
Allowance for doubtful accounts	(9,180)	(9,180)
Prepaid expenses	831	-
Due from other funds	2,943	-
Total current assets	<u>189,992</u>	<u>209,967</u>
Noncurrent Assets		
Restricted cash	1,924	2,316
Investments	8,936	8,765
Depreciable capital assets	704,622	682,103
Accumulated depreciation	(362,882)	(331,683)
Net capital assets	<u>341,740</u>	<u>350,420</u>
TOTAL ASSETS	<u>542,592</u>	<u>571,468</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	4,590	3,906
Current portion of long-term debt	7,400	6,800
Total current liabilities	<u>11,990</u>	<u>10,706</u>
Noncurrent liabilities		
Meter deposits refundable	8,220	7,660
Long-term debt, less current portion	16,200	26,000
Total noncurrent liabilities	<u>24,420</u>	<u>33,660</u>
TOTAL LIABILITIES	<u>36,410</u>	<u>44,366</u>
NET POSITION		
Invested in capital assets, net of debt	318,140	317,620
Restricted for:		
Debt service	23,600	32,800
Unrestricted	164,442	176,682
TOTAL NET POSITION	<u>\$ 506,182</u>	<u>\$ 527,102</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, 2013 and 2012

	<u>Proprietary Fund</u>	
	<u>2013</u>	<u>2012</u>
Operating income		
Water Charges	\$ 45,878	\$ 47,776
Sewer Charges	19,970	19,431
Trash Charges	29,864	30,288
Late Charges	4,149	5,110
Sales Tax Revenue	8,654	12,761
Total Revenues	<u>108,515</u>	<u>115,365</u>
Operating expenses		
Personal services	25,808	20,645
Materials & supplies	39,003	18,234
Other services & charges	19,515	48,347
Total operating expenses	<u>84,326</u>	<u>87,226</u>
Excess operating revenue (deficit)	24,189	28,139
Other income (expense)		
Other income (expense)	5,642	5,045
Depreciation Expense	(31,198)	(23,217)
Interest Expense	(397)	(1,263)
Interest Income	274	291
Total other income (expense)	<u>(25,679)</u>	<u>(19,144)</u>
Income (loss) before transfers	(1,490)	8,995
TRANSFERS IN (OUT)	(19,430)	45,047
CHANGE IN NET POSITION	<u>(20,920)</u>	<u>54,042</u>
NET POSITION, BEGINNING	527,102	473,060
NET POSITION, ENDING	<u>\$ 506,182</u>	<u>\$ 527,102</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, 2013 and 2012

	<u>Proprietary Fund</u>	
	<u>2013</u>	<u>2012</u>
Cash flows from operations:		
Customers	\$ 104,605	\$101,817
Sales tax	3,946	12,761
Other sources	5,642	5,045
Interest income	274	291
Cash payments for:		
Salaries and benefits	(25,808)	(20,645)
Goods and services	(56,900)	(101,261)
Interest paid on long term debt	(397)	(1,263)
Net cash provided from operations	<u>31,362</u>	<u>(3,255)</u>
Cash flows from investing activities:		
Capital grants		
Capital expenditures	(22,519)	-
Net cash provided (used) from investing activities	<u>(22,519)</u>	<u>-</u>
Cash flows from capital financing activities:		
Transfers from (to) general fund	(19,430)	9,869
Debt Payments	(9,200)	(8,550)
Interest reinvested in debt service investments	222	-
Net cash from capital financing activities	<u>(28,408)</u>	<u>1,319</u>
Net increase (decrease) in cash	(19,565)	(1,936)
Beginning cash	198,379	200,315
Ending cash	<u>178,814</u>	<u>198,379</u>
Reconciliation of income from operations		
to net cash from operations:		
Operating income (loss)	(1,490)	8,995
Adjustments to income from operations:		
Depreciation and amortization	31,198	23,217
Change in assets and liabilities:		
(Increase) decrease in receivables	4,184	(893)
(Increase) decrease in prepaid expenses	(831)	-
(Increase) decrease in due from other funds	(2,943)	-
Increase (decrease) in due to other funds	-	(33,518)
Increase (decrease) in payables	684	(1,161)
Increase (decrease) in refundable deposits	560	105
Net cash provided by operations	<u>\$ 31,362</u>	<u>\$ (3,255)</u>
Reconciliation of cash accounts		
Cash	\$ 178,814	\$ 198,379
Restricted cash	1,924	2,316
Total Cash	<u>\$ 180,738</u>	<u>\$ 200,695</u>
Non-cash capital activities:		
Assets transferred from General Fund	<u>\$ -</u>	<u>\$ 38,500</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, 2013 and 2012, 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.

The Town's funds are grouped into two governmental fund types: general and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2013 and 2012, 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, such as depreciation, is recorded in proprietary funds. 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.

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

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2013 or 2012.

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.

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.

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.

Notes to the Financial Statements
 Town of Fargo
 For the Years Ended June 30, 2013 & 2012

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, 2013 and 2012, the City 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:

	6/30/12		6/30/13	
	Balance	Additions	Deletions	Balance
<u>Fargo General Fund</u>				
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	(263,972)	(12,817)		(276,789)
Net Fixed Assets	\$ 141,346			\$ 128,529

	6/30/11		6/30/12	
	Balance	Additions	Deletions	Balance
<u>Fargo General Fund</u>				
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	(251,156)	(12,816)		(263,972)
Net Fixed Assets	\$ 154,162			\$ 141,346

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 offices 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, 2013 and 2012 was \$1,680 and \$1,140 respectively, 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, 2013.

Note 7 - Subsequent Events

The Town has adopted FASB ASC 855-10-50, formerly SFAS No. 165, *Subsequent Events*. The standard reflects the principles of current subsequent event accounting guidance and requires disclosure of the date through which subsequent events have been evaluated. Management 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.

Note 8 – Prior Period Adjustment

During the course of the audit for the fiscal year ending June 30, 2012 an additional bank account was discovered for fire department funds. The account did not have any revenue or expenditure activity for the year, and the total amount of funds were added to the Town's restricted cash account.

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, the business-type activities, each major fund, and the aggregate remaining fund information of The Town of Fargo, as of and for the year ended June 30, 2013, 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 September 15, 2014.

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 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. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not

designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

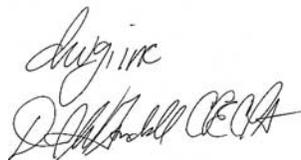
As part of obtaining reasonable assurance about whether the Town of Fargo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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
September 15, 2014

Town of Fargo
Schedule of Findings and Responses

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.

Recommendation

The Town Board of Trustees should require that the utility clerk present monthly utility billing reports that agree to the financial statements. The accounts receivable aging should be reconciled to the financial statements monthly.

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.

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.

Management's Response

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

2013-4

Criteria

The Town should ensure that internal control policies and procedures are followed to ensure adequate segregation of duties and safeguarding of the Town's assets.

Condition

During our review of internal controls we noted that a number of checks written in November 2012 and December 2012 were signed only by the mayor. We noted two purchase orders during fiscal 2013 that were not signed by two Town officers.

Effect

Any time internal control policies and procedures are not followed results in an opportunity for fraud and misuse of funds to occur.

Recommendation

Town officers and employees should be diligent in assuring that all internal control policies and procedures are followed on a consistent basis.

Management's Response

Management will be diligent in following all internal control policies and procedures and will instruct the staff to be diligent as well.

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.

Management's Response

Management will instruct staff to adopt the auditor's recommendation