

**AUDIT REPORT**  
**OF**  
***TOWN OF FLETCHER, OKLAHOMA***

**AS OF**  
**JUNE 30, 2012**

**BY**  
**JOHNSON, BADERTSCHER & MOORE, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**TOWN OF FLETCHER, OKLAHOMA**

**TABLE OF CONTENTS**

**JUNE 30, 2012**

Independent Auditor's Report	Report 1
Management Discussion and Analysis	
Basic Financial Statements	
Statement of Net Assets	Statement 1
Statement of Activities	Statement 2
Balance Sheet - Governmental Funds	Statement 3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	Statement 4
Statement of Net Assets - Proprietary Fund	Statement 5
Statement of Revenue over Expenditures and Changes in Net Assets - Proprietary Fund	Statement 6
Statement of Cash Flows - Proprietary Fund	Statement 7
Notes to the Basic Financial Statements	
Schedule of Financial Assistance	Schedule 1
Supplementary Information - Budget Comparison Schedule	Schedule 2
Combining Statements for Non-major Funds	Schedule 3 & 3-1
Report on Internal Control over Financial Reporting on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards	Report 2

JOHNSON, BADERTSCHER & MOORE, P. C.

*Certified Public Accountants*

P.O. BOX 1405  
CHICKASHA, OK 73023-1405

JIMMIE P. JOHNSON, C.P.A.  
TAMMIE S. MOORE, C.P.A.

505 CHICKASHA AVE.  
Phone (405) 224-0212  
Fax (405) 222-4139

INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Fletcher, Oklahoma

We have audited the accompanying financial statements of governmental activities and the business-type activities of the Town of Fletcher, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Fletcher's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town of Fletcher as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 December 26, 2012, on our consideration of Town of Fletcher's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 5 and page 20 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Schedule of Financial Assistance presented in Schedule 1 and individual nonmajor fund financial statements are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

---

  
JOHNSON, BADERTSCHER & MOORE, P.C.  
Certified Public Accountants

December 26, 2012

## ***TOWN OF FLETCHER, OKLAHOMA***

### **Management Discussion and Analysis**

Our discussion and analysis of the Town of Fletcher's Financial performance provided an overview of the Town's financial activities for the year ended June 30, 2012.

#### **Using the Audited Financial Statements**

The financial statements consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operation in more detail than the government-wide statements by providing information about the Town's most significant funds.

#### **Reporting on the Town as a Whole**

The Statement of Net Assets and the Statement of Activities report information about the town as a whole and about its activities in a way that helps answer the question, did the Town's financial condition improve or deteriorate during the period in question. These statements include all assets and liabilities of the Town and are prepared using the accrual basis of accounting. Revenues and expenses are recorded when earned and incurred not when received. The government wide statements are broken up into two categories, governmental activities and business activities. Governmental activities include police, fire, streets, general government, cemetery and garbage services. Business activities is primarily water and sewer services.

#### **Fund Financial Statements**

The fund financial statements consist of the individual funds that are maintained by the Town. The general fund accounts for most Town services including fire, town and street maintenance and garbage. The street and alley fund accounts for street maintenance. Cemetery care is tracking the expenses and revenues generated by the Town's cemetery. The general fund and special revenue funds are classified as governmental funds. The Fletcher PWA accounts for the sale of water and sewer services. The Fletcher PWA is classified as an enterprise fund. What is not presented with the fund financial statements is any long-term debt associated with the governmental funds nor are the fixed assets associated with the governmental funds presented in the fund financial statements.

Presented at the bottom of the government wide financial statements is a reconciliation of the government wide financial statements net assets to the fund financial statements net assets and changes in fund net assets.

Unaudited

**TOWN OF FLETCHER, OKLAHOMA**

**FINANCIAL DATA**

Selected financial data from the Town's government wide financial statements as follows:

	<u>2012</u>	<u>2011</u>
Total non capital assets	\$ 335,979	\$ 351,267
Total capital assets	\$1,676,105	\$1,576,110
Total current liabilities	\$ 101,407	\$ 85,421
Total noncurrent liabilities	\$ 422,236	\$ 492,141
Net assets unrestricted	\$ 290,663	\$ 294,945
Investment in capital assets net of related debt	\$1,205,704	\$1,043,292
<b>Revenues</b>		
Charges for services	\$ 216,139	\$ 203,965
Grants and contributions	\$ 125,603	\$ 34,061
Water and sewer	\$ 338,580	\$ 282,103
Sales taxes	\$ 214,380	\$ 228,480
Other taxes	\$ 61,553	\$ 69,824
Interest and other	\$ 8,307	\$ 8,703
Total revenues	\$ 964,562	\$ 827,136
<b>Expenses</b>		
General government	\$ 192,623	\$ 169,128
Street maintenance	\$ 96,311	\$ 84,564
Fire department	\$ 45,621	\$ 40,057
Garbage	\$ 76,035	\$ 66,761
Police department	\$ 91,242	\$ 80,113
Cemetery	\$ 5,069	\$ 4,451
Water and sewer	\$ 300,515	\$ 308,051
Total expenses	\$ 807,416	\$ 753,125
Change in net assets	\$ 157,146	\$ 74,011
Ending net assets	\$1,502,217	\$1,345,071

**Analysis of Financial Position and Results of Operations**

The overall financial condition of the Town of Fletcher is good. The governmental funds continue to maintain a high rate of liquidity with cash representing 21% of total assets. The business type funds have unrestricted cash representing 5% of total assets. An inventory of fixed assets has been compiled and will continue to be maintained in the future. Overall, the Town had a net profit of \$157,146. The Town decreased its long term debt by \$69,609. Total unrestricted cash increased by \$33,122.

For the year ending June 30, 2012, there was a increase of \$29,317 to the approved budget. There were purchases of \$186,349 in fixed assets.

Unaudited

## TOWN OF FLETCHER, OKLAHOMA

## Statement of Net Assets

-----  
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current assets:			
Cash - unrestricted	\$127,931	\$ 66,355	\$ 194,286
Cash - restricted		5,880	5,880
Accounts receivable	27,178	21,412	48,590
Notes receivable - current portion	3,996		3,996
Investments	<u>3,300</u>	<u>79,927</u>	<u>83,227</u>
Total current assets	<u>162,405</u>	<u>173,574</u>	<u>335,979</u>
Non-current assets:			
Notes receivable	17,772		17,772
Less: current portion	( 3,996)		( 3,996)
Non-current portion	13,776		13,776
Net capital assets	<u>446,190</u>	<u>1,229,915</u>	<u>1,676,105</u>
Total non-current assets	<u>459,966</u>	<u>1,229,915</u>	<u>1,689,881</u>
Total Assets	<u>\$622,371</u>	<u>\$1,403,489</u>	<u>\$2,025,860</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	\$ 23,818	\$ 11,824	\$ 35,642
Compensated absences	7,066	4,654	11,720
Trust liability		5,880	5,880
Current portion of long term debt		<u>48,165</u>	<u>48,165</u>
Total current liabilities	<u>30,884</u>	<u>70,523</u>	<u>101,407</u>
Non-current liabilities:			
Non-current portion of long term debt		<u>422,236</u>	<u>422,236</u>
Total non-current liabilities		<u>422,236</u>	<u>422,236</u>
Total Liabilities	<u>30,884</u>	<u>492,759</u>	<u>523,643</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	446,190	759,514	1,205,704
Restricted for meter fund deposits		5,880	5,880
Unrestricted	<u>145,297</u>	<u>145,336</u>	<u>290,633</u>
Total net assets	<u>591,487</u>	<u>910,730</u>	<u>1,502,217</u>
Total Liabilities and Net Assets	<u>\$622,371</u>	<u>\$1,403,489</u>	<u>\$2,025,860</u>

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

## TOWN OF FLETCHER, OKLAHOMA

## Statement of Activities

For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government						
Governmental activities:						
General government	\$192,623	\$ 39,890	\$26,703	(\$126,030)		(\$ 126,030)
Street maintenance	96,311			( 96,311)		( 96,311)
Fire department	45,621			( 45,621)		( 45,621)
Garbage	76,035	115,577		39,542		39,542
Police department	91,242	58,590		( 32,652)		( 32,652)
Cemetery	<u>5,069</u>	<u>2,082</u>		( 2,987)		( 2,987)
Total governmental activities	506,901	216,139	26,703	( 264,059)		( 264,059)
Business-type activities:						
Water and sewer	<u>300,515</u>	<u>338,580</u>	<u>98,900</u>		<u>136,965</u>	<u>136,965</u>
Total business-type activities	<u>300,515</u>	<u>338,580</u>	<u>98,900</u>			
Total primary government	<u>\$807,416</u>	<u>\$554,719</u>	<u>\$125,603</u>	( 264,059)	<u>136,965</u>	( 127,094)
<u>General Revenues</u>						
Taxes:						
Sales taxes				165,213	49,167	214,380
Other taxes				61,553		61,553
Interest and lease				<u>798</u>	<u>7,509</u>	<u>8,307</u>
Total general revenues				<u>227,564</u>	<u>56,676</u>	<u>284,240</u>
Change in net assets				( 36,495)	193,641	157,146
Net assets - beginning				<u>627,982</u>	<u>717,089</u>	<u>1,345,071</u>
Net assets - ending				<u>\$591,487</u>	<u>\$910,730</u>	<u>\$1,502,217</u>

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

## TOWN OF FLETCHER, OKLAHOMA

Balance Sheet  
Governmental Funds-----  
June 30, 2012

	General Fund	Other Governmental Funds	Total
<b>ASSETS:</b>			
Cash	\$55,469	\$72,462	\$127,931
Accounts receivable	27,178		27,178
Investments		3,300	3,300
Notes receivable		<u>17,772</u>	<u>17,772</u>
Total Assets	<u>\$82,647</u>	<u>\$93,534</u>	<u>\$176,181</u>
<b>LIABILITIES:</b>			
Accounts payable	\$23,818		\$ 23,818
Compensated absences	<u>7,066</u>		<u>7,066</u>
Total Liabilities	30,884		30,884
Fund balances	<u>51,763</u>	<u>\$93,534</u>	<u>145,297</u>
Total Liabilities and Fund Balances	<u>\$82,647</u>	<u>\$93,534</u>	<u>\$176,181</u>

Reconciliation of total Governmental Fund Balance  
to Net Assets of Governmental Activities June 30, 2012

Total Government Fund Balances \$145,297

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. 446,190

Net Assets of Governmental Activities \$591,487

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

**TOWN OF FLETCHER, OKLAHOMA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**

-----  
**For the Year Ended June 30, 2012**

	General Fund	Other Governmental Funds	Total
<b>Revenues:</b>			
Taxes	\$216,397	\$10,369	\$226,766
Charges for services	173,738	42,401	216,139
Interest and other	121	677	798
Intergovernmental	<u>3,830</u>	<u>22,873</u>	<u>26,703</u>
Total Revenues	<u>394,086</u>	<u>76,320</u>	<u>470,406</u>
<b>Expenditures:</b>			
Current operations:			
General government	123,078	54,194	177,272
Street Maintenance	86,661	9,650	96,311
Fire department	16,974	12,025	28,999
Garbage	76,035		76,035
Police department	86,434		86,434
Cemetery	<u>5,069</u>		<u>5,069</u>
Total Expenditures	<u>394,251</u>	<u>75,869</u>	<u>470,120</u>
Excess revenues and other resources over (under) expenditures and other uses	( 165)	451	286
Fund balances at beginning of year	51,928	93,083	145,011
Fund balances at end of year	<u>\$ 51,763</u>	<u>\$93,534</u>	<u>\$145,297</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities for the year ended June 30, 2012

Net change in fund balances - total governmental funds	\$ 286
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	( 36,781)
Change in net assets of governmental activities	<u>(\$36,495)</u>

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

**TOWN OF FLETCHER, OKLAHOMA****Statement of Net Assets  
Proprietary Fund**-----  
**June 30, 2012**ASSETS

## Current assets:

Cash - unrestricted	\$ 68,855
Cash - restricted	5,880
Accounts receivable	21,412
Investments	<u>77,427</u>
Total current assets	173,574

## Non-current assets:

Net capital assets	<u>1,229,915</u>
Total Assets	<u>\$1,403,489</u>

LIABILITIES

## Current liabilities:

Accounts payable	\$ 11,824
Compensated absences	4,654
Trust liability	5,880
Current portion of long term debt	<u>48,165</u>
Total current liabilities	70,523

## Noncurrent liabilities:

Noncurrent portion of long term debt	<u>422,236</u>
Total Liabilities	<u>492,759</u>

NET ASSETS

Invested in capital assets, net of related debt	759,514
Restricted for meter fund deposits	5,880
Unrestricted	<u>145,336</u>
Total Net Assets	<u>910,730</u>

Total Liabilities and Net Assets

\$1,403,489

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

**TOWN OF FLETCHER, OKLAHOMA**  
**Statement of Revenue Over Expenditures**  
**and Changes in Net Assets**  
**Proprietary Fund Type**  
 -----  
**For the Year Ended June 30, 2012**

Operating Revenues:	
Water and sewer	<u>\$338,580</u>
Operating Expenses:	
Personal services	125,435
Maintenance and operations	96,881
Depreciation	49,573
Interest	<u>28,626</u>
Total operating expenses	<u>300,515</u>
Operating income (loss)	38,065
Nonoperating Revenues:	
Allocated sales tax	49,167
Donations and assets	98,900
Interest and other	<u>7,509</u>
Net non-operating revenues	<u>155,576</u>
Change in net assets	193,641
Net Assets, beginning of year	<u>717,089</u>
Net Assets, end of year	<u>\$910,730</u>

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

**TOWN OF FLETCHER, OKLAHOMA**

**Statement of Cash Flows  
Proprietary Fund**

-----  
**For the Fiscal Year Ended June 30, 2012**

<u>Cash flows from operating activities:</u>		
Cash received from customers		\$409,278
Cash paid to employees		( 120,999)
Cash paid to suppliers		( 94,550)
Net cash provided by operating activities		<u>193,729</u>
<u>Cash flows from non-capital financing activities:</u>		
Sales tax allocated		( 926)
Meter refunds		( 926)
Net cash provided by non-capital financing activities		
<u>Cash flows from capital and related financing activities:</u>		
Acquisition of capital assets		( 186,349)
Loan proceeds		35,000
Grants received		98,900
Principal paid on notes		( 98,397)
Interest paid on notes		( 28,626)
Net cash used by capital and related financing activities		<u>( 179,472)</u>
<u>Cash flows from investing activities:</u>		
Interest income		<u>106</u>
Net cash provided by investing activities		<u>106</u>
Net increase in cash		13,437
Cash, beginning of year		<u>61,298</u>
Cash, end of year		<u>\$ 74,735</u>
<u>Reconciliation of operating income to net cash used by operating activities:</u>		
Operating profit		\$193,641
Depreciation		28,626
Decrease accounts receivable		11,343
Increase accounts payable		2,331
Increase compensated absences		686
Decrease trust liability		( 954)
Other accruals		<u>( 41,944)</u>
Net cash from operating activities		<u>\$193,729</u>

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

**Town of Fletcher, Oklahoma  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2012**

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

Financial Reporting Entity

The Town of Fletcher, Oklahoma is a statutory town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, utilities and general administrative services.

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, 2012, the Town had only one component unit, the Fletcher Public Works 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.

Basis of Accounting

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets 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 a 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 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

If 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 for 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 are 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 the 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, are recorded in proprietary funds. The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB 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 for the date of acquisition. Restricted cash consists of meter deposits.

### 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, 2012.

### Budget

In accordance with Oklahoma Statutes, Title 68, Section 2483, the Town Council 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.

### **Note 2 - Deposits with Financial Institutions**

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Fletcher is considered a separate entity from Fletcher Public Works Authority for FDIC deposit insurance.

In accordance with GABS No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name. (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

**Note 3 - Capital Asset Activity**

<u>Governmental</u>	<u>Balance 6-30-11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6-30-12</u>
Fire department	\$ 398,179			\$ 398,179
Police department	155,760			155,760
General government	<u>525,355</u>	_____		<u>525,355</u>
Total Governmental	1,079,294			1,079,294
Less: accumulated depr.	( 596,323)	(\$ 36,781)		( 633,104)
Net Governmental	<u>482,971</u>	( 36,781)		<u>446,190</u>
Proprietary	1,602,668	186,349		1,789,017
Less: accumulated depr.	( 509,529)	( 49,573)		( 559,102)
Net proprietary	<u>1,093,139</u>	<u>136,776</u>		<u>1,229,915</u>
Total Government-wide	<u>\$1,576,110</u>	<u>\$ 99,995</u>	<u>-0-</u>	<u>\$1,676,105</u>
Current Depreciation Expense:		Governmental	\$ 36,781	
		Proprietary	<u>49,573</u>	
		Total	<u>\$ 86,354</u>	

**Note 4**

In April, 2005, the Fletcher Public works Authority issued \$550,000 of Revenue Bonds to enhance the water system. Part of the proceeds were used to pay off existing debt on the water system and the balance remains in the Sinking Fund, Reserve Account and Construction Account. At June 30, 2012, the balances in such accounts were \$77,427. There are 3 separate issues of the bonds. The issues and maturity schedule are as follows:

Bond issues:		
\$125,000		4 %
175,000		5 %
<u>250,000</u>		5.6 %
Total	<u>\$550,000</u>	
Maturity Schedule:		
6-30-13		35,000
6-30-14		35,000
6-30-15		35,000
6-30-16		35,000
2017-2021		175,000
Thereafter		<u>45,000</u>
Total		<u>\$360,000</u>

**Note 5 - Notes Payable**

The Proprietary Fund (Business Type Activity) has six notes with First National Bank of Fletcher at current market rates with balances as follows:

<u>Note #</u>	<u>Amount</u>
22,112	\$ 23,080
22,939	26,469
24,155	23,711
23,311	<u>37,141</u>
Total	<u>\$110,401</u>

Maturity Schedule:

2012-13	\$ 13,165
2013-14	14,418
2014-15	15,929
2015-16	17,440
2016-17	19,184
Thereafter	<u>30,265</u>
Total	<u>\$110,401</u>

The notes are secured by various equipment and water plant.

**Note 6 - Investments**

Governmental Activities	
Certificate of Deposit	<u>\$ 3,300</u>
Business-Type Activities	
Certificate of Deposit	2,500
Sinking Fund Accounts: Sinking Fund	<u>77,427</u>
	<u>79,927</u>
Total	<u>\$ 83,227</u>

**Note 7**

FAS No 157 was issued on September 15, 2006, and, as issued, is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Statement 157 establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP) that should result in increased consistency and comparability in fair value measurements. Statement 157 also expands disclosures about fair value measurements, improving the quality of information provided to users of financial statements. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels: Level 1 (highest priority), Level 2, and Level 3 (lowest priority).

**Note 7 (continued)**

1. Quoted Market Prices in Active Markets (Level 1): a. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. b. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. c. A quoted market price in an active market provides the most reliable evidence of fair value and should be used whenever available.
2. Other Than Quoted Market Inputs (Level 2): a. Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. b. Level 2 inputs include the following: (1) Quoted market prices of similar assets or liabilities in active markets, (2) Quoted market prices for identical or similar assets or liabilities in markets that are not active, (3) Inputs other than quoted prices that are observable for the asset or liability (e.g. interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), and (4) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
3. Unobservable Inputs (Level 3): a. Level 3 inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. b. Unobservable inputs are allowed in situations where there is little, if any, market activity for the asset or liability at the measurement date. c. Unobservable Inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the assets or liability. d. Unobservable inputs shall be developed based on the best information available under the circumstances. The entity is not required to consider all possible efforts to obtain information about market participant assumptions, but the entity shall not ignore information about market participant assumptions that is reasonably available without undue cost and effort.

FASB STAFF POSITION 157-2 was subsequently issued amending FAS 157. This statement defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for nonfinancial assets and nonfinancial liabilities.

The following table sets forth by level, within the fair value hierarchy, the entity's investments at fair value as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 5,800			\$ 5,800
Sinking fund accounts	<u>77,427</u>			<u>77,427</u>
Totals	<u>\$83,227</u>			<u>\$83,227</u>

**TOWN OF FLETCHER, OKLAHOMA**

**Schedule of Financial Assistance**

-----  
**For the Fiscal Year Ended June 30, 2012**

	<u>Grant Total</u>	<u>Current Revenue Received</u>	<u>Current Expenditures</u>	<u>Current Funds Unexpended</u>	<u>Not Yet Received</u>
Reap #102265	\$45,000	\$22,873	\$22,873	-0-	\$13,897
Safety Dept. PT-11-03-97-00P	3,830	3,830	3,830	-0-	-0-
Reap #FAP-07-0055-R	98,900	98,900	98,900	-0-	-0-

## TOWN OF FLETCHER, OKLAHOMA

## Budgetary Comparison Schedule

-----  
For the Fiscal Year Ended June 30, 2012

## General Fund

<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Garbage	\$ 92,946	\$106,765	\$ 13,819
Franchises	22,172	19,300	( 2,872)
Fines	44,702	58,590	13,888
Sales tax	145,603	169,664	24,061
Other tax	29,816	32,035	2,219
Interest	182	121	( 61)
Miscellaneous	<u>7,526</u>	<u>12,126</u>	<u>4,600</u>
Total Revenues	<u>342,947</u>	<u>398,601</u>	<u>55,654</u>
 <u>Expenditures</u>			
Personal services	135,000	183,703	( 48,703)
Maintenance and operations	240,000	204,230	35,770
Capital outlay	<u>12,748</u>	<u>          </u>	<u>12,748</u>
Total Expenditures	<u>387,748</u>	<u>387,933</u>	<u>( 185)</u>
Excess of expenditures over revenues	( <u>\$ 44,801</u> )	10,668	<u>\$55,469</u>
Beginning fund balance (Budgetary Basis)		<u>44,801</u>	
Ending fund balance (Budgetary Basis)		<u>\$ 55,469</u>	

Unaudited

**TOWN OF FLETCHER, OKLAHOMA**

**Combining Balance Sheet  
Non-Major Governmental Funds**

-----  
**For the Fiscal Year Ended June 30, 2012**

	<u>Street and Alley</u>	<u>Cemetery Maintenance</u>	<u>Cemetery Care</u>	<u>Police and Fire</u>	<u>Clinic</u>	<u>Recreation</u>	<u>Economic Development</u>	<u>Total</u>
<b><u>ASSETS</u></b>								
Cash	\$3,383	\$11,190	\$13,190	\$9,093	-0-	\$11,427	\$24,179	\$72,462
Accounts receivable								
Investments			3,300					3,300
Notes receivable							<u>17,772</u>	<u>17,772</u>
<b>Total Assets</b>	<u>\$3,383</u>	<u>\$11,190</u>	<u>\$16,490</u>	<u>\$9,093</u>	<u>-0-</u>	<u>\$11,427</u>	<u>\$41,951</u>	<u>\$93,534</u>
<b><u>LIABILITIES</u></b>								
Accounts payable								
Compensated absences								
<b>Total Liabilities</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>Fund Balances</b>	<u>\$3,383</u>	<u>\$11,190</u>	<u>\$16,490</u>	<u>\$9,093</u>	<u>-0-</u>	<u>\$11,427</u>	<u>\$41,951</u>	<u>\$93,534</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$3,383</u>	<u>\$11,190</u>	<u>\$16,490</u>	<u>\$9,093</u>	<u>-0-</u>	<u>\$11,427</u>	<u>\$41,951</u>	<u>\$93,534</u>

**TOWN OF FLETCHER, OKLAHOMA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major governmental Funds**  
 -----  
**For the Fiscal Year Ended June 30, 2012**

	<u>Street and Alley</u>	<u>Cemetery Maintenance</u>	<u>Cemetery Care</u>	<u>Fire</u>	<u>Clinic</u>	<u>Recreation</u>	<u>Economic Development</u>	<u>Total</u>
<b>REVENUES</b>								
Taxes	\$10,369							\$10,369
Charges for services		\$ 1,512	\$ 570	\$18,138	-0-	\$16,481	\$ 5,700	42,401
Interest and other	3		29				645	677
Intergovernmental							<u>22,873</u>	<u>22,873</u>
Total Revenues	<u>10,372</u>	<u>\$ 1,512</u>	<u>599</u>	<u>18,138</u>	<u>-0-</u>	<u>16,481</u>	<u>29,218</u>	<u>76,320</u>
<b>EXPENDITURES</b>								
General government					\$847	16,703	36,644	54,194
Street maintenance	9,650							9,650
Fire department				12,025				12,025
Garbage								
Police department								
Cemetery								
Total Expenditures	<u>9,650</u>	<u>-0-</u>	<u>-0-</u>	<u>12,025</u>	<u>847</u>	<u>16,703</u>	<u>36,644</u>	<u>75,869</u>
Excess of Revenues over (under) Expenditures	722	1,512	599	6,113	( 847)	( 222)	( 7,426)	451
Fund Balance - beginning	2,661	9,678	15,891	2,980	847	11,649	49,377	93,083
Fund Balance - ending	<u>\$ 3,383</u>	<u>\$11,190</u>	<u>\$16,490</u>	<u>\$ 9,093</u>	<u>\$ -0-</u>	<u>\$11,427</u>	<u>\$41,951</u>	<u>\$93,534</u>

JOHNSON, BADERTSCHER & MOORE, P .C.

*Certified Public Accountants*

P.O. BOX 1405  
CHICKASHA, OK 73023-1405

JIMMIE P. JOHNSON, C.P.A.  
TAMMIE S. MOORE, C.P.A.

505 CHICKASHA AVE.  
Phone (405) 224-0212  
Fax (405) 222-4139

Report 2

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

The Town Council  
Town of Fletcher  
Fletcher, Oklahoma

We have audited the financial statements of the Town of Fletcher, Fletcher, Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Fletcher is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Fletcher'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 of Fletcher's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Fletcher's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Fletcher's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
JOHNSON, BADERTSCHER & MOORE, P.C.  
Certified Public Accountants

December 26, 2012