TOWN OF FOREST PARK, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Town Council
Town of Forest Park
Forest Park, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Forest Park, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 of 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 Town'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 Town'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, each major fund, and the aggregate remaining fund information of the Town of Forest Park, Oklahoma, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated November 21, 2014 on our consideration of the Town of Forest Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Forest Park's internal control over financial reporting and compliance.

Dillon & Associates, P.C.

Midwest City, Oklahoma
November 21, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF FOREST PARK, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

As management of the Town of Forest Park (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by $1,145,250. Of this amount, $342,001 may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's net position increased by $12,309 from the prior year amount.

- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $347,343, an increase of $79,236 in comparison with the prior year amount. Of this total amount, $347,343 is *unassigned fund balance* for governmental funds.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $347,001, or approximately 51.2% of total General Fund expenditures.

- Sales and use taxes increased by $15,213 or 7.3% over the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad view of the Town of Forest Park's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety and public works. The Town does not have any business-type activities.

The government-wide financial statements can be found on pages 9-11 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains one individual governmental fund, their General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The Town adopts an annual appropriated budget for its general and other governmental funds. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as listed in the table of contents.

Proprietary funds. The Town does not have any proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found as listed in the table of contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's (a) variances in budget to actual revenues and expenditures for the General Fund. Required supplementary information can be found as listed in table of contents.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by $1,145,251 at the close of the most recent fiscal year. The following table provides a summary of the Town's net position at June 30, 2014 compared to June 30, 2013.

Table 1
Net Position
(In Thousands)

	Governmental Activities 2014	Governmental Activities 2013
Current and other assets	$ 362	333
Capital assets	803	872
Total assets	1,165	1,205
Long-term debt outstanding	-	-
Other liabilities	20	72
Total liabilities	20	72
Net position:		
Net investment in capital assets	803	872
Unrestricted	342	261
Total net position	$ 1,145	1,133

By far the largest portion of the Town's net position (70%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of *unrestricted net position* (30%) may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year the Town's net position increased by $12,309 during the current fiscal year. This increase represents the overall excess of revenues over expenses, including depreciation of $101,054.

Table 2
Changes in Net Position (In Thousands)

	Governmental Activities 2014	Governmental Activities 2013
Revenues:		
Program revenues		
Charge for services	$ 365	326
Operating grants and contributions	7	10
Capital grants and contributions	49	-
General revenue:		
Sales and use taxes	225	210
Franchise taxes (fees)	61	62
Other taxes	14	14
Investment income	2	4
Other income	34	9
Total revenues	757	635
Expenses:		
General government	312	260
Public safety	360	384
Public works	73	71
Total expenses	745	715
Change in net position	12	(80)
Beginning net position	1,133	1,213
Ending net position	$ 1,145	1,133

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's General Fund reported combined ending fund balances of $347,343, an increase of $79,236, in comparison with the prior year. Of this total amount, $347,343 is *unassigned fund balance*. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. *Unassigned fund balance* and *total* fund balance represents approximately 51.2% of total General Fund expenditures.

General Fund Budgetary Highlights

There were differences between the original budget and the final budget for the General Fund. Overall, actual revenues on the budgetary basis of $757,637 were $183,367 less than the estimated revenues in the budget of $941,004. Actual expenditures of $678,401 were $256,722 less than the $935,123 approved in budget appropriations. The carryover funds of the Town increased by $79,236 to a balance of $347,343.

Capital Assets

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to $803,249 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Minor improvements and equipment purchases.

Table 3
Capital Assets
(In Thousands)

	Governmental Activities 2014	Governmental Activities 2013
Land	$ -	-
Buildings and improvements	608,622	590,617
Machinery and equipment	360,611	351,065
Vehicles	550,265	545,565
Infrastructure	-	-
Less: Accumulated depreciation	(716,249)	(615,196)
	$ 803,249	872,051

Additional information of the Town's capital assets can be found in Note 2 in the Notes to the Basic Financial Statements as listed in the table of contents.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2014-2015 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. Slower growth of the national economy has affected the local economy. Unemployment is up, sales tax revenues, however, have shown steady growth for the last several years, and town fees were strong and have shown moderate growth.

These indicators were taken into account when adopting the general fund budget for 2014-2015.

- Revenues, transfers in and expenses for the Town's general fund are expected to increase slightly over the actual amounts received and expended in the fiscal year ended June 30, 2014.

All of these factors were considered in preparing the Town's budget for the 2014-2015 fiscal year.

Requests for Information

This financial report is designed to provide our citizens, funding agencies, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Town of Forest Park, 4203 N. Coltrane Rd., Forest Park, Oklahoma 73121.

BASIC FINANCIAL STATEMENTS

Town of Forest Park, Oklahoma
Statement of Net Position
June 30, 2014

	Primary Government
	Governmental Activities
ASSETS	
Current assets:	
Pooled cash and cash equivalents	$ 243,485
Investments	78,972
Accounts receivable	14,416
Due from other governments	24,838
Total current assets	361,711
Noncurrent assets:	
Capital assets, net of accumulated depreciation	803,249
Total noncurrent assets	803,249
Total assets	1,164,960
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	7,398
Court bonds payable	6,970
Compensated absencies payable	5,342
Total current liabilities	19,710
Total liabilities	19,710
Net Position	
Net investment in capital assets	803,249
Unrestricted	342,001
Total net position	$ 1,145,250

See accompanying notes to the basic financial statement.

Town of Forest Park, Oklahoma
Statement of Activities
For the Year Ended June 30, 2014

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
PRIMARY GOVERNMENT					
Governmental activities:					
General government	$ 311,995	168,204	-	-	(143,791)
Public safety	360,431	196,706	6,880	49,031	(107,814)
Public works	72,902	-	-	-	(72,902)
Total government activities	745,328	364,910	6,880	49,031	(324,507)
Total primary government	745,328	364,910	6,880	49,031	(324,507)

Town of Forest Park, Oklahoma
Statement of Activities
For the Year Ended June 30, 2014

	Primary Government Governmental Activities
Change in net assets:	
Net (expense) revenue	$ (324,507)
General revenues:	
Taxes:	
Sales and use	224,900
Franchise	61,163
Other	14,319
Unrestricted investment income	2,260
Miscellaneous	34,174
Total general revenues and transfers	336,816
Change in net position	12,309
Net position - beginning	1,132,942
Net position - ending	$ 1,145,251

See accompanying notes to the basic financial statement.

Town of Forest Park, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2014

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	$ 243,485	243,485
Investments	78,972	78,972
Accounts receivable	14,416	14,416
Due from other governments	24,838	24,838
Total assets	361,711	361,711
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	7,398	7,398
Court bonds payable	6,970	6,970
Total liabilities (Note 2)	14,368	14,368
Fund balances:		
Unreserved, reported in:		
General fund	347,343	347,343
Total fund balances	347,343	347,343
Total liabilities and fund balances	$ 361,711	
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.		803,248
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued compensated absences		(5,341)
Net position of governmental activities		$ 1,145,250

See accompanying notes to the basic financial statement.

Town of Forest Park, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2014

	General Fund
REVENUES	
Taxes	$ 300,381
Intergovernmental	65,458
Licenses and permits	18,117
Charge for services	150,827
Fines and forfeitures	196,706
Interest	2,260
Miscellaneous	23,888
Total revenues	757,637
EXPENDITURES	
Current:	
General government	318,607
Public safety	293,366
Public works	66,428
Total expenditures	678,401
Net change in fund balances	79,236
Fund balances-beginning	268,107
Fund balances-ending	$ 347,343

See accompanying notes to the basic financial statement.

Town of Forest Park, Oklahoma
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, 2014

Net change in fund balances - total governmental funds	$	79,236
Amounts reported for governmental activities in the statement of activities are different because:		
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 and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current reporting period.		
Capital outlay expenditures, net		32,252
Depreciation expense		(101,054)
		(68,802)
Change in accrued compensated absences		1,875
		1,875
Change in net position of governmental activities.	$	12,309

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. - REPORTING ENTITY

The Town of Forest Park, Oklahoma (the Town) operates under a council-mayor form of government under Title 11 of the *Oklahoma Statutes*. The Town provides the following services to its citizens: public safety (police and fire), utilities (streets), culture and recreation, general government and administration.

In determining the reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement Nos. 14, *The Financial Reporting Entity*, and Statement No. 61, *The Financial Reporting Entity: Omnibus*.

1.B. – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION – FUND ACCOUNTING

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

1.B. – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION – FUND ACCOUNTING - Continued

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that government believes is important enough for financial statement users to be reported as a major fund. Each is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

1.B. – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION – FUND ACCOUNTING - Continued

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The following are the Town's major governmental funds:

General Fund – is the general operating fund of the Town. It accounts and reports for all financial resources not required to be reported in another fund. At June 30, 2014, this was the only fund used by the Town.

1.C. - ASSETS, LIABILITIES AND EQUITY

1. Deposits and Investments

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

1.C. - ASSETS, LIABILITIES AND EQUITY - Continued

2. Fair Value of Financial Statements

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

3. Estimates

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

4. Inventories

Inventories normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

5. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of $1,500 for the governmental funds.

Infrastructure assets acquired are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not capitalized

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

1.C. - ASSETS, LIABILITIES AND EQUITY - Continued

5. Capital Assets - Continued

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	35-60 years	35-60 years
Building improvements	35-60 years	35-60 years
Furniture and fixtures	5-10 years	5-10 years
Machinery and equipment	5-20 years	5-20 years
Vehicles	5-10 years	5-10 years

6. Compensated Absences

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

7. Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

1.C. - ASSETS, LIABILITIES AND EQUITY - Continued

7. Net Position/Fund Balance - Continued

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance between amounts that are considered *nonspendable* (i.e. fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments and receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted, committed, assigned or unassigned,* as appropriate.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The Town Ordinance is the highest level of decision-making authority of the Town.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund,* that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

8. Resource Use Policy

It is in the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the Town considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS

The following notes present detailed information to support the amounts reported in the basic financial statements for the Town's various assets, liabilities, net position/fund balances, revenues and expenditures/expenses.

2.A. – CASH AND INVESTMENTS

A summary of cash and investments shown in the Statement of Net Position is as follows:

Cash and equivalents	$	243,285
Investments		78,972
Total	$	322,257

The local government had the following deposits and investments at June 30, 2014:

			Maturities in Years		
	Credit rating	Fair value	On demand	Less than 1	1-5
Demand deposits and cash on hand	(1)	$ 243,285	243,285	-	-
Money market mutual funds	AAA	-	-	-	-
Time deposits	(1)	78,972	-	78,972	-
Total		$ 322,257	243,285	78,972	-

(1) Not subject to rating

Standard and Poor's (S&P) was the source for all credit ratings reported above.

Custodial Credit Risk

At June 30, 2014, the Town held deposits of approximately $273,156 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with the securities held by the Town or by its agent in the Town's name.

Investment Interest Credit Risk

The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS – Continued

2.A. – CASH AND INVESTMENTS – Continued

Investment Credit Risk

The Town has no policy that limits its investment choice other than the limitation of the state law as follows:

a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by Federal Housing Administrator, and obligations of the National Mortgage Association.
f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraph (a.-d.).

Concentration of Investment Credit Risk

The Town places no limit on the amount it may invest in any one issuer. The Town has the following of credit risk: 100% in Certificates of deposit $78,972 and 0% in Money Market funds $0.

2.B. RECEIVABLES

Receivables as of June 30, 2014, for the Town of Forest Park's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

		General Fund
Receivables:		
Taxes	$	24,838
Accounts (Town Fees)		14,416
	$	39,254

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS – Continued

2.C. CAPITAL ASSETS

Capital asset balances and activities for the year ended June 30, 2014, were as follows:

	Beginning	Additions	Retirements	Ending
Governmental activities				
Capital assets not being depreciated :				
Land	$ -	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated :				
Buildings and improvements	590,617	18,005	-	608,622
Machinery and equipment	351,065	9,546	-	360,611
Vehicles	545,565	4,700	-	550,265
Infrastructure	-	-	-	-
Total capital assets being depreciated	1,487,247	32,251	-	1,519,498
Less accumulated depreciation for :				
Buildings and improvements	(210,237)	(15,523)	-	(225,760)
Machinery and equipment	(231,561)	(33,928)	-	(265,489)
Vehicles	(173,398)	(51,602)	-	(225,000)
Infrastructure	-	-	-	-
Total accumulated depreciation	(615,196)	(101,053)	-	(716,249)
Total capital assets being depreciated, net	872,051	(68,802)	-	803,249
Governmental activities capital assets, net	$ 872,051	(68,802)	-	803,249

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 22,815
Public safety	71,765
Public works	6,473
Total depreciation expense - governmental activities	$ 101,053

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS – Continued

2.D. DEPOSITS SUBJECT TO REFUND

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the Town general fund as fines. As of June 30, 2014, $6,970 was being held that was subject to refund.

2.E. COMPENSATED ABSENCIES

Full-time employees with at least ninety days of service earn vacation of four to twelve hours per month depending on years of service completed. A maximum of 80 hours may be carried over from one benefit year into another, except for police who may carry 104 hours. Payment in lieu of vacation is limited to a maximum of forty hours for police officers who exceed 96 or more hours. In accordance with guidelines set forth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences,* a provision has been made for accumulated vacation in the amount of $5,341.

NOTE 3– OTHER INFORMATION

3.A. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The Town purchases commercial insurance to cover these and other risks, including general auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The Town is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a matter of the Plan, the Town is required to pay fees set by the Plan according to an established payment schedule. The Town is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A loss Fund has been established from the proceeds of the fees paid by the Town. The Town expensed these fees when paid. The State Insurance Fund provides coverage in excess of the Loss Fund so the Town's Liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

NOTE 3– OTHER INFORMATION – Continued

3.B. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

At June 30, 2014, the Town of Forest Park was not involved in any pending or threatening litigation which would have a material impact on the financial statements.

3.C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The Town participates in the Oklahoma State Police Pension and Retirement System and the Oklahoma State Firefighters' Pension and Retirement System, both of which are cost sharing multiple-employer defined benefit plans administered by the State of Oklahoma.

Oklahoma Police Pension and Retirement Plan

All Town police department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Police Pension and Retirement System (OPPRS). Under this plan, police department personnel contribute 8.0% of base salary and the Town contributes an additional 13.0%. The OPPRS issue publicly available financial reports that include financial statements and required supplemental information for the fund. These reports may be obtained by writing to the Oklahoma Police Pension and Retirement System, 101 NW 63rd Street, Suite 305, Oklahoma City, OK 73116-7335, or by calling 1-800-347-6552.

The required contribution from the Town for these plans was $7,339, $14,973 and $14,209 for 2014, 2013 and 2012, respectively. The required contribution was fully contributed. At June 30, 2014 the system held no related-party investments of the Town or its related entities.

Oklahoma Firefighters' Pension and Retirement Plan

The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fire employees of the Town. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105, or by calling 1-405-525-7813.

The Town of Forest Park contributes $60 per volunteer firefighter.

NOTE 3– OTHER INFORMATION – Continued

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 21, 2014, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Forest Park, Oklahoma
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2014

	Budget			Variance with Final Budget Over
	Original	Final	Actual	(Under)
REVENUES				
Taxes	$ 274,737	285,119	300,381	15,262
Intergovernmental	309,008	253,099	65,458	(187,641)
Licenses and permits	16,000	20,000	18,117	(1,883)
Charge for services	142,710	150,000	150,827	827
Fines and forfeitures	200,000	205,000	196,706	(8,294)
Interest	3,600	3,600	2,260	(1,340)
Miscellaneous	2,000	24,186	23,888	(298)
Total revenues	948,055	941,004	757,637	(183,367)
EXPENDITURES				
General government:				
Administration	277,197	350,551	318,607	31,944
Public safety:				
Police	297,209	350,424	254,218	96,206
Fire	54,252	159,676	39,148	120,528
Public works:				
Streets	319,329	74,472	66,428	8,044
Total expenditures	947,987	935,123	678,401	256,722
Excess (deficiency) of revenues over (under) expenditures	68	5,881	79,236	73,355
OTHER FINANCING SOURCES (USES)				
None	-	-	-	-
Net change in fund balances	68	5,881	79,236	73,355
Fund balances - beginning	988,055	981,004	268,107	(712,897)
Fund balances - ending	$ 988,123	986,885	347,343	(639,542)

See accompanying notes to the basic financial statement.

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise fund adopts budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized are revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the Town Clerk (an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Council Members (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the Town Council. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The Town uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

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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

Honorable Mayor and Town Council Members
Town of Forest Park, Oklahoma

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the Town of Forest Park, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Forest Park's basic financial statements and have issued our report thereon dated November 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Forest Park'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Forest Park's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Forest Park's internal control.

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 deficiencies, in internal control, such that there is a reasonable possibility that 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 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily 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. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 reportable

findings and responses that we consider to be significant deficiencies, referred to as Findings 2014-01, 2014-02 and 2014-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Forest Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Forest Park's Response to Findings

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

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Dillon & Associates, P.C.

Midwest City, Oklahoma
November 21, 2014

Town of Forest Park, Oklahoma
Schedule of Expenditures of Federal Awards
June 30, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	EXPENDITURES
U.S. Department of Justice				
Passed through Oklahoma Department of Mental Health and Substance Abuse - Oklahoma County Sheriff's Office				
Enforcement of Underage Drinking Laws	16.738	OCSO 2M2L 2011-0004	1,206	1,206
U.S. Department of Homeland Security				
Passed through Oklahoma Office of Homeland Security				
Homeland Security Grant Program	97.008	OKOHS #97.008-4700	52,845	49,031
Total Federal Assistance			54,051	50,237

Notes to Schedule of Expenditures of Federal Awards

Note A - Significant Accounting Policies - The accompanying schedule of expenditures of federal awards is prepared on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.

Town of Forest Park, Oklahoma
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2014

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	STATE EXPENDITURES
STATE PROGRAMS			
State of Oklahoma			
Passed through the Association of Central Oklahoma Governments (ACOG :			
REAP Grant	REAP #8-2013-23	$ 11,058	9,547
Oklahoma Department of Agriculture			
Rural Fire Program		4,474	4,474
Rural Fire Program		1,200	1,200
Total State of Oklahoma		16,732	15,221
Total State Assistance		$ 16,732	15,221

TOWN OF FOREST PARK, OKLAHOMA
SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014

Finding 2014-01 – Internal Control - Reconciliation of Utility Accounts Receivable

Criteria – The Town should have adequate controls in place to prepare a timely reconciliation of utility billings, collections, adjustments and ending account receivable balances to the general ledger.

Condition – Internal controls should be in place that provides reasonable assurance that reconciliations are being produced on a monthly basis.

Cause – The Town failed to produce month end aged customer accounts receivable reports and reconcile the utility billing, collections and adjustments to the monthly receivable reports. Because of work load and other time constraints sufficient efforts, the accounting staff did not prepare the necessary reconciliations.

Effect or Potential Effect – Without controls in place to insure the proper reconciliations errors or irregularities may occur and go undetected and uncorrected.

Recommendation – We recommend that the Town perform proper reconciliations of the utility accounts receivable aging reports with the general ledger control account balances on a monthly basis.

Management's Response – The Town concurs with the recommendation and has adjusted their controls to insure timely and accurate reconciliations.

Finding 2014-02 – Internal Control – Financial Statements (Repeat Finding)

Criteria – The Town's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Town's annual financial statements in accordance with GAAP. The presentation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records) and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting). Professional standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting.

Condition – As is the case with many smaller and medium-sized entities, the Town has relied on its independent external auditors to provide the needed expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the external financial reporting process. Accordingly, the Town's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its external auditors, who cannot by definition be considered a part of the Town's internal controls. However, as required by professional standards the Town has provided safeguards by designating a management level individual with suitable skill, knowledge and/or experience to oversee the services performed by our engagement, make all management decisions (e.g.,

determining or approving account classifications, adjusting journal entries, etc.) evaluate and monitor the performance and adequacy of the services, and take responsibility for the books, records and related financial statements.

Cause – Management has elected to use outside assistance from the external auditors to assist in meeting its responsibilities relative to preparing its annual financial statements. Although the Town's management may lack certain expertise relative to preparing GAAP financial statements, professional standards do not require that the management or individual possess the expertise to perform or re-perform all such services. The auditor has explained all proposed audit adjustments and their effect on the financial statements and the related note disclosures to management who has affirmed their understanding and agreement as required by professional standards.

Effect or Potential Effect – Although management has reviewed the financial statements drafted by the auditor and accepted full responsibility for them, the auditor could be placed in a questionable position regarding auditor independence as a result of potentially performing part of management's functions if management or its representative is unable to understand the nature of the services, evaluate its adequacy and accept responsibility for its results.

Recommendation – We recommend that the Town consider designing and implementing further internal controls over financial reporting by obtaining additional expertise to process and summarize accounting data and prepare financial statements in accordance with generally accepted accounting principles without reliance on the external financial statement auditor. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

Responsible Official's Response - The Town concurs with the recommendation, and will strive to process and summarize accounting data and further understand the presentation and disclosure requirements of the financial statements.

Finding 2014-03 – Segregation of Duties (Internal Control)

Criteria - The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Condition – Presently the Town did not have adequate segregation of duties during the period under audit for certain control functions related to cash deposits, disbursements and utility customer billings, and did not take steps to provide for compensating controls.

Cause – The Town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to purchasing and deposit activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation – We recommend that management should consider a formal evaluation of their risks associated with these procedures. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of control duties, such as providing increased management oversight and an independent reconciliation of accounts. For example, the Town might consider soliciting the assistance of independent volunteer labor to perform certain functions including performing compensating procedures where applicable.

Responsible Official's Response - The Town concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the Town will strive to make changes in procedures that will improve the overall lack of segregation of duties.