

TOWN OF LAVERNE
June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Members of the Town Board
Town of Laverne, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Laverne, Oklahoma as of and for the year ended June 30, 2013, 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 the modified cash basis of accounting described in Note 1.B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Laverne, Oklahoma, as of June 30, 2013, and the respective changes in modified cash basis financial position, and cash flows, where applicable, thereof for the year then ended in accordance with the basis of accounting described in Note 1.B.

Basis of Accounting

We draw your attention to Note 1.B. of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

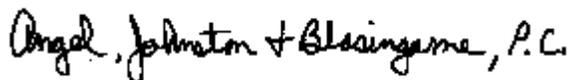
Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Laverne, Oklahoma basic financial statements. The Supplemental Information as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements, the schedule of state awards and the schedule of expenditures of federal awards (as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*) are not a required part of the financial statements.

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, on our consideration of the Town'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 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* in considering the Town's internal control over financial reporting and compliance.



Chickasha, Oklahoma
September 12, 2014

BASIC FINANCIAL STATEMENTS

TOWN OF LAVERNE, OKLAHOMA
Statement of Net Position - Modified Cash Basis
June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 561,143	\$ 333,625	\$ 894,768
Restricted Cash and Cash Equivalents	15,461	71,758	87,219
Investments	141,330	1,291,820	1,433,150
Restricted Investments		304,349	304,349
Land and Other Non-depreciable Assets	63,297	2,009,579	2,072,876
Other capital assets, net	<u>1,034,785</u>	<u>1,494,420</u>	<u>2,529,205</u>
<i>Total Assets</i>	<u>1,816,016</u>	<u>5,505,551</u>	<u>7,321,567</u>
<u>Liabilities</u>			
Warrants Outstanding	47,134	171,643	218,777
Due to Depositors		71,758	71,758
Long-Term Liabilities:			
Due within one year		93,909	93,909
Due in more than one year		<u>2,339,667</u>	<u>2,339,667</u>
<i>Total Liabilities</i>	<u>47,134</u>	<u>2,676,977</u>	<u>2,724,111</u>
<u>Net Position</u>			
Net Investment in Capital Assets	1,098,082	1,070,423	2,168,505
Restricted for Debt Service		273,957	273,957
Restricted for Capital Projects	1,542		1,542
Restricted for Volunteer Fire	104,707		104,707
Restricted for Streets.	30,086		30,086
Restricted for Other Purposes	108,767		108,767
Unrestricted	<u>425,879</u>	<u>1,484,194</u>	<u>1,910,073</u>
<i>Total Net Position</i>	<u>\$ 1,769,063</u>	<u>\$ 2,828,574</u>	<u>\$ 4,597,637</u>

See accompanying notes to basic financial statements.

TOWN OF LAVERNE, OKLAHOMA
Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:							
Governmental Activities:							
Administration	\$ 86,170	\$ 3,155	\$ 4,186	\$ -	\$ (78,829)	\$ -	\$ (78,829)
Public Safety	280,293	14,236	4,484	6,691	(254,882)	-	(254,882)
Health & Welfare	9,717	-	-	-	(9,717)	-	(9,717)
Culture & Recreation	105,779	7,644	7,926	-	(90,209)	-	(90,209)
Streets & Transportation	26,314	-	-	49,999	23,685	-	23,685
<i>Total Governmental Activities</i>	<u>508,273</u>	<u>25,035</u>	<u>16,596</u>	<u>56,690</u>	<u>(409,952)</u>	<u>-</u>	<u>(409,952)</u>
Business-Type Activities:							
Electric	1,334,412	1,414,396	-	-	-	79,984	79,984
Water	212,583	319,423	-	500,000	-	606,840	606,840
Sewer	56,059	122,574	-	-	-	66,515	66,515
Sanitation	199,560	195,652	-	-	-	(3,908)	(3,908)
Interest expense	72,317	-	-	-	-	(72,317)	(72,317)
<i>Total Business-Type Activities</i>	<u>1,874,931</u>	<u>2,052,045</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>677,114</u>	<u>677,114</u>
<i>Total Primary Government</i>	<u>2,383,204</u>	<u>2,077,080</u>	<u>16,596</u>	<u>556,690</u>	<u>(409,952)</u>	<u>677,114</u>	<u>267,162</u>
General Revenues:							
Taxes:							
Sales Tax					443,475		443,475
Use Tax					30,156		30,156
Franchise Tax					10,906		10,906
Intergovernmental Revenue					81,876		81,876
Investment Income					1,454	11,278	12,732
Miscellaneous					42,254	37,295	79,549
Transfers - Internal Activity					36,148	(36,148)	-
<i>Total General Revenues and Transfers</i>					<u>646,269</u>	<u>12,425</u>	<u>658,694</u>
<i>Change in Net Assets</i>					236,317	689,539	925,856
<i>Net Assets - Beginning</i>					<u>1,532,747</u>	<u>2,139,035</u>	<u>3,671,782</u>
<i>Net Assets - Ending</i>					<u>\$ 1,769,064</u>	<u>\$ 2,828,574</u>	<u>\$ 4,597,638</u>

See accompanying notes to basic financial statements.

TOWN OF LAVERNE, OKLAHOMA
Statement of Assets, Liabilities, and Fund Equity
Governmental Funds - Modified Cash Basis
June 30, 2013

	<u>General Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 304,589	\$ 256,554	\$ 561,143
Investments	141,330		141,330
Restricted Cash and Cash Equivalents	15,641		15,641
Deposits with Insurance Pool			-
Due from Other Funds	<u>4,159</u>	<u>4,186</u>	<u>8,345</u>
<i>Total Assets</i>	<u><u>465,719</u></u>	<u><u>260,740</u></u>	<u><u>726,459</u></u>
<u>Liabilities</u>			
Warrants Outstanding	35,654	11,480	47,134
Due to Other Funds	<u>4,186</u>	<u>4,159</u>	<u>8,345</u>
<i>Total Liabilities</i>	<u>39,840</u>	<u>15,639</u>	<u>55,479</u>
<u>Fund Balances</u>			
Non Spendable			-
Restricted		243,560	243,560
Committed			-
Assigned		1,542	1,542
Unassigned	<u>425,879</u>		<u>425,879</u>
<i>Total Fund Balances</i>	<u>425,879</u>	<u>245,102</u>	<u>670,981</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$ 465,719</u></u>	<u><u>\$ 260,741</u></u>	<u><u>\$ 726,460</u></u>

See accompanying notes to basic financial statements.

TOWN OF LAVERNE, OKLAHOMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - Modified Cash Basis
For the Year Ending June 30, 2013

	General Fund	Non-Major Governmental Fund	Total Governmental Funds
Revenues			
Taxes	\$ 484,537	\$	\$ 484,537
Intergovernmental	53,061	102,166	155,227
Fines and Forfeitures	10,410		10,410
Licenses and Permits	3,155		3,155
Charges for Services	7,644	3,826	11,470
Investment Income	899	490	1,389
Miscellaneous	11,584	30,670	42,254
<i>Total Revenues</i>	571,290	137,152	708,442
Expenditures			
Current:			
Administration	75,706		75,706
Police	185,249		185,249
Animal Control	5,525		5,525
Fire/EMS	31,566	19,352	50,918
Economic Development	2,133		2,133
Library	24,450	6,735	31,185
Parks	51,797		51,797
Airport	4,823		4,823
Streets		4,862	4,862
Capital Outlay	1,435	69,691	71,126
Debt Service			-
<i>Total Expenditures</i>	382,684	100,640	483,324
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	188,606	36,512	225,118
Other Financing Sources (Uses)			
Transfers In		49,999	49,999
Transfers Out		(13,851)	(13,851)
<i>Total Other Financing Sources (Uses)</i>	-	36,148	36,148
<i>Net Change in Fund Balances</i>	188,606	72,660	261,266
<i>Fund Balances - Beginning</i>	237,273	172,443	409,716
<i>Fund Balances - Ending</i>	\$ 425,879	\$ 245,103	\$ 670,982

See accompanying notes to basic financial statements.

TOWN OF LAVERNE, OKLAHOMA
Reconciliation of Governmental Fund and Government-Wide Financial Statements
Governmental Funds - Modified Cash Basis
June 30, 2013

Reconciliation to Statement of Net Assets:

Fund balances of governmental funds	\$	670,981
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:		
Capital assets		2,714,962
Accumulated depreciation		(1,616,880)
		1,769,063
Net assets of governmental activities	\$	1,769,063

Reconciliation to Statement of Activities:

Net change in fund balances of governmental funds	\$	261,266
Amounts reported for governmental activities on the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		58,125
Depreciation expense		(83,074)
		236,317
Change in net assets of governmental activities	\$	236,317

See accompanying notes to basic financial statements.

TOWN OF LAVERNE, OKLAHOMA
Statement of Net Position
Proprietary Funds - Modified Cash Basis
June 30, 2013

	<u>Enterprise Funds</u>		<u>Total Proprietary Funds</u>
	<u>Laverne Public Works Authority</u>	<u>Sanitation Fund</u>	
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 329,738	\$ 3,887	\$ 333,625
Investments	979,820	312,000	1,291,820
Due from Other Funds			-
<i>Total Current Assets</i>	<u>1,309,558</u>	<u>315,887</u>	<u>1,625,445</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	71,758		71,758
Restricted Investments	304,349		304,349
Deferred Amount on Debt Refunded			-
Land and Other Non-depreciable Assets	2,009,079	500	2,009,579
Other Capital Assets, net of depreciation	1,415,400	79,020	1,494,420
<i>Total Noncurrent Assets</i>	<u>3,800,586</u>	<u>79,520</u>	<u>3,880,106</u>
<i>Total Assets</i>	<u>5,110,144</u>	<u>395,407</u>	<u>5,505,551</u>
<u>Liabilities</u>			
Current Liabilities:			
Warrants Payable	157,460	14,182	171,643
Due to Depositors	71,758		71,758
Notes Payable	93,909		93,909
<i>Total Current Liabilities</i>	<u>323,127</u>	<u>14,182</u>	<u>337,309</u>
Noncurrent Liabilities:			
Notes Payable	2,339,667		2,339,667
<i>Total Noncurrent Liabilities</i>	<u>2,339,667</u>	<u>-</u>	<u>2,339,667</u>
<i>Total Liabilities</i>	<u>2,662,794</u>	<u>14,182</u>	<u>2,676,976</u>
<u>Net Position</u>			
Net Investment in Capital Assets	990,903	79,520	1,070,423
Restricted for Debt Service	273,957		273,957
Unrestricted	1,182,490	301,704	1,484,194
<i>Total Net Position</i>	<u>\$ 2,447,350</u>	<u>\$ 381,224</u>	<u>\$ 2,828,575</u>

See accompanying notes to basic financial statements.

TOWN OF LAVERNE, OKLAHOMA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds - Modified Cash Basis
For the Year Ending June 30, 2013

	<u>Enterprise Funds</u>		<u>Total Proprietary Funds</u>
	<u>Laverne Public Works Authority</u>	<u>Sanitation Fund</u>	
Operating Revenues			
Water revenue	\$ 319,423	\$	\$ 319,423
Electric revenue	1,314,353		1,314,353
Sewer revenue	122,574		122,574
Sanitation revenue		195,652	195,652
Pledged Revenue:			
Generator Capacity Payment	100,043		100,043
<i>Total Operating Revenues</i>	<u>1,856,393</u>	<u>195,652</u>	<u>2,052,045</u>
Operating Expenses			
Electric operations	1,278,686		1,278,686
Water operations	201,806		201,806
Sewer operations	46,314		46,314
Sanitation operations		182,734	182,734
Depreciation expense	76,248	16,826	93,074
<i>Total Operating Expenses</i>	<u>1,603,054</u>	<u>199,560</u>	<u>1,802,614</u>
<i>Operating Income (Loss)</i>	<u>253,339</u>	<u>(3,907)</u>	<u>249,431</u>
Nonoperating Revenues (Expenses)			
Investment income	9,210	2,068	11,278
Interest expense	(72,317)		(72,317)
Miscellaneous	94	341	435
Grant Income	500,000		500,000
Rental income (net)	36,860		36,860
<i>Total Nonoperating Revenues (Expenses)</i>	<u>473,847</u>	<u>2,409</u>	<u>476,257</u>
Net Income (Loss) Before Transfers	727,186	(1,498)	725,688
Transfers In	13,851		13,851
Transfers Out		(49,999)	(49,999)
<i>Change in Net Assets</i>	741,037	(51,497)	689,540
<i>Net Position - Beginning</i>	1,562,779	422,471	1,985,251
	143,534	10,250	153,784
<i>Net Position - Beginning - Restated</i>	<u>1,706,313</u>	<u>432,721</u>	<u>2,139,035</u>
<i>Net Position - Ending</i>	<u>\$ 2,447,350</u>	<u>\$ 381,224</u>	<u>\$ 2,828,575</u>

TOWN OF LAVERNE, OKLAHOMA
Statement of Cash Flows
Proprietary Funds - Modified Cash Basis
For the Year Ending June 30, 2013

	Enterprise Funds		Total Proprietary Funds
	Laverne Public Works Authority	Sanitation Fund	
Cash Flows From Operating Activities			
Receipts from customers	\$ 1,856,393	\$ 195,652	\$ 2,052,045
Payment to employee	(345,042)	(69,799)	(414,841)
Vendors and others paid	(1,181,764)	(112,935)	(1,294,699)
Depositor increase	5,409		
<i>Net Cash Provided by Operating Activities</i>	334,996	12,918	342,505
Cash Flows From Noncapital Financing Activities			
Miscellaneous revenues	36,954	341	37,295
Transfers to other funds		(49,999)	(49,999)
<i>Net Cash Provided by Noncapital Financing Activities</i>	36,954	(49,658)	(12,704)
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(2,109,563)		(2,109,563)
Transfer from other funds	13,851		
Construction Grant	500,000		
Principal Proceeds	1,820,902		
Principal paid on debt	(529,083)		(529,083)
Interest paid on debt	(72,317)		(72,317)
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	(376,210)	-	(2,710,963)
Cash Flows From Investing Activities			
Interest received	9,210	2,068	11,278
Increase in investments	(1,284,169)	(312,000)	(1,596,169)
<i>Net Cash Provided by Investing Activities</i>	(1,274,959)	(309,932)	(1,584,891)
<i>Net Increase in Cash and Cash Equivalents</i>	(1,279,219)	(346,672)	(1,625,891)
<i>Balance - Beginning of the Year</i>	1,523,256	336,375	1,859,631
<i>Balance - End of the Year</i>	244,037	(10,297)	233,740
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	253,339	(3,907)	249,432
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	76,248	16,826	93,074
Changes in assets and liabilities:			
Due to depositors	5,409		5,409
<i>Net Cash Provided by Operating Activities</i>	\$ 334,996	\$ 12,919	\$ 347,915
<i>Cash and Cash Equivalents:</i>			
Cash and Cash Equivalents	\$ 401,496	\$ 3,887	\$ 405,383
Warrants Outstanding	(157,460)	(14,182)	(171,642)
<i>Total Cash and Cash Equivalent</i>	\$ 244,036	\$ 10,295	\$ 254,331

See accompanying notes to basic financial statements.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

1.A. Financial Reporting Entity

The Town's financial reporting entity includes the primary government (Town of Laverne), and its blended component unit. This report includes all activities for which the Town of Laverne's Town Board is fiscally responsible. In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by GASB 61, and includes all component units for which the Town is financially accountable.

The Town of Laverne – The Town was incorporated in 1913 under provisions of the State of Oklahoma. It operates the Town's public safety, health and welfare, sanitation, streets and highways, culture-recreation, public improvements, planning and zoning and administrative activities.

The Town of Laverne has a population of approximately 1,344 and is located in northwestern Oklahoma. The Town is a town board form of municipal government. The town board is comprised of four elected board members and mayor.

Blended Component Units

Laverne Public Works Authority - The trust was created in 1968 and has as its purpose to finance, develop, and operate the utility services and physical facilities (LPWA).

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authority is created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town Board to delegate certain functions to the governing body (Trustees) of the Authority. The Authority generally retains title to assets, which are acquired or constructed with Authority debt, or other Authority generated resources. In addition, the Town has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The Town, as beneficiary of the Public Trust, receives title to any residual assets when the Public Trust is dissolved.

1.B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1.C. Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The Statement of Net Position and Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements of the Town are prepared on a modified cash basis of accounting. Under this basis, cash receipts are recognized as revenue at the date of receipt and cash payments are recognized at date of payment with the following modifications:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred. Donated capital assets are recorded at estimated fair market value at the date of donation.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The modified cash basis of accounting is used. However, the governmental funds focus on a current financial resource measurement thus capital assets and debt is not recorded.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

The Town reports the following funds:

Governmental Funds

Major Governmental Funds:

- General Fund - is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Non-Major Governmental Funds:

- Improvement Fund – accounts for funds that have been set aside by the Board for capital improvements.
- Street & Alley Fund – accounts for revenues from state gasoline and vehicle taxes restricted for street projects.
- Grant Fund -- accounts for governmental grant revenues and expenditures.
- Volunteer’s Fire Fund – accounts for the volunteer fire activity which include grants and donations for support.

Proprietary Funds

Major Enterprise Funds:

- Laverne Public Works Authority – that operates the water, sewer, and electric services of the Town (blended component unit).
- Sanitation Fund -- Included in the proprietary presentation is the sanitation services that are accounted for in the Town’s records. Due to its business-type activity it is included with the proprietary funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Town’s enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1.D. Assets, Liabilities and Fund Equity

Deposits and Investments - The Town’s cash and cash equivalents are considered to be cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less from the date of acquisition.

The Town does not have a specific policy limiting the concentration amount that may be invested with one issuer. The Town has no formal policy on managing credit risk.

Investments for the Town, as well as for its component units, are reported at fair value.

Oklahoma Statutes authorize the Town to invest in direct obligations of the United States Government, its agencies or instrumentalities: collateralized or insured certificates of deposit of financial institutions located in the state of Oklahoma or fully-insured certificates of deposits located outside the state: savings accounts, and county, municipal or school district general obligation debt.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Public trusts created under Oklahoma Statutes Title 60 are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or indenture.

Deposits with Insurance Pool - Typically past refunds or interest earnings left on deposit with the Workers Compensation Insurance Plan to be disbursed upon instruction by the Town of Laverne. This deposit is held in escrow by the insurance pool and is invested.

Restricted Assets - Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to customer utility deposits.

Capital Assets - The accounting and reporting treatment applied to capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements - In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2001. Prior to July 1, 2001, governmental proprietary funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2001 are recorded at cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Positions. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements other than buildings	20-30 years
Machinery and equipment	5-12 years
Vehicles	4-6 years
Infrastructure	25-40 years

Fund Financial Statements - In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Encumbrance Payable - The Town records purchases when the requisition has been issued. The financial statements reflect these as expenses. This method is consistent with the State of Oklahoma budgeting laws.

Warrants Outstanding - The Town handles their payments to vendors and employees using a warrant system rather than checks. This means the warrants do not clear the bank until a treasurer's check is issued to pay for the warrants that have accumulated at the bank. Therefore, they are shown as a liability instead of a reduction to cash.

Meter Deposits Refundable - Represents the funds received from customers for their water utility deposits. These deposits are refunded or credited to the customer upon termination of the utility service and payment of all charges due and connected with the service.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Note issuance costs are deferred and amortized over the life of the debt using the straight-line method.

Compensated Absences – As a result of the use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave and compensatory time earned but unpaid at year-end), are not reflected in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences has been reported as a commitment in Note 4.C.

Fund Balances and Net Assets–

Fund Statements:

Governmental fund equity is classified as fund balance. The Town has implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. The Town’s highest level of decision-making authority is made by ordinance while the LPWA’s highest level of decision-making authority is made by resolution.
- d. Assigned – includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town Board action or management decision when the Town Board has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the Town’s policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The Town’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund to be spent prior to restricted fund balance. In those funds, interest income is used first before other revenues.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

As of June 30, 2013, fund balances are composed of the following:

	General Fund	Street & Alley	Improv. Fund	Grant Fund	Volunteer Fire	Total
Non-spendable	-	-	-	-	-	-
Restricted:	-					-
Street	-	30,086	-	-	-	30,086
Grant Library	-	-	-	4,017	-	4,017
Fire Service	-	-	-	-	104,707	104,707
Committed	-	-	-	-	-	-
Assigned:						-
Capital Projects	-	-	1,542	-	-	1,542
Grant Seed Funds	-	-	-	104,750	-	104,750
Unassigned	425,879	-	-	-	-	425,879
Total	425,879	30,086	1,542	108,767	104,707	670,981

Net Assets:

Net Assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted Net Assets*– Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the Town’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

1.E. Sales Tax Revenue

Sales Tax - The Town presently levies a 2.25% sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The sales tax recorded is allocated one hundred percent to the General Fund.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

1.F. Use of Estimates

In preparing the Town of Laverne’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

3.A. Deposits and Investments Risk

<u>Types of Deposits and Investments</u>	<u>Carrying Value</u>
Deposits:	
Petty Cash	\$ 100
Demand Deposits	472,580
Demand Deposits-agency funds	73,825
Savings accounts	449,515
Pooled cash OMAG	41,160
Time Deposits	1,693,471
Total Deposits:	\$ 2,730,651
Investments:	Credit
	Maturities
	Rating
	-
	\$ -
 Total Deposits and Investments	 \$ 2,730,651

At June 30, 2013, the reporting entity had the following deposits and investments:

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a written deposit policy for custodial credit risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of municipal funds in financial institutions. As of June 30, 2013, the Town’s bank balances of \$2,730,651 were not exposed to custodial credit risk.

Investment Credit Risk – The Town does not have a written investment policy that limits its investment choices other than the limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the Town to invest in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposits or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district; and government money market funds regulated by the SEC. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

are primarily governed by any restrictions in their trust or note indenture. The Town's had no marketable investments at June 30, 2013.

Investment Interest Rate 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. The Town's only investments are in open ended savings funds with available on demand. All certificates of deposit have maturities no longer than one year. Most certificates are six months or 30 days.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer.

3.B. Restricted Assets

The amounts reported as restricted assets consist of cash and investments held on behalf amounts due to depositors related to utility deposits, street and alley taxes and grants.. The restricted assets as of June 30, 2013 were as follows

<u>Types of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Street and Alley	-	-
Grants	-	-
Customer Utility Deposits	27,730	44,028
Total Restricted Assets	\$ 27,730	\$ 44,028

3.C. Capital Assets

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended June 30, 2013 was as follows:

	Balance 6/30/2012	Additions	Disposals	Balance 6/30/2013
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 63,297	\$ -	\$ -	\$ 63,297
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>63,297</u>	<u>-</u>	<u>-</u>	<u>63,297</u>
Capital assets, being depreciated:				
Buildings	1,661,256			1,661,256
Equipment	323,092	8,126		331,218
Vehicles	426,132			426,132
Infrastructure	183,060	49,999		233,059
Total capital assets, being depreciated	<u>2,593,540</u>	<u>58,125</u>	<u>-</u>	<u>2,651,665</u>
Less accumulated depreciation for:				
Buildings	932,909	23,905		956,814
Equipment	197,379	26,366		223,745
Vehicles	302,208	23,053		325,261
Infrastructure	101,310	9,750		111,060
Total accumulated depreciation	<u>1,533,806</u>	<u>83,074</u>	<u>-</u>	<u>1,616,880</u>
Total capital assets, being depreciated, net	<u>1,059,734</u>	<u>(24,949)</u>	<u>-</u>	<u>1,034,785</u>
Governmental activities capital assets, net	<u>\$ 1,123,031</u>	<u>\$ (24,949)</u>	<u>\$ -</u>	<u>\$ 1,098,082</u>

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Capital Assets, not being depreciated:			
Land	\$ 18,585	\$ -	\$ 18,585
Construction in progress	50,500	1,940,494	1,990,994
Total capital assets, not being depreciated	<u>69,085</u>	<u>1,940,494</u>	<u>2,009,579</u>
Capital assets, being depreciated:			
Buildings	5,000		5,000
Utility property/improvements	86,572	59,832	146,404
Equipment	1,601,828	29,252	1,631,080
Vehicles	486,964	29,987	516,951
Total capital assets, being depreciated	<u>2,180,364</u>	<u>119,071</u>	<u>2,299,435</u>
Less accumulated depreciation for:			
Buildings	5,000	2,164	7,164
Utility property/improvements	9,153	896	10,049
Equipment	388,659	54,004	442,663
Vehicles	309,129	36,010	345,139
Total accumulated depreciation	<u>711,941</u>	<u>93,074</u>	<u>805,015</u>
Total capital assets, being depreciated, net	<u>1,468,423</u>	<u>25,997</u>	<u>1,494,420</u>
Business-type activities capital assets, net	<u>\$ 1,537,508</u>	<u>\$ 1,966,491</u>	<u>\$ 3,503,999</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Health/Welfare	7,584
Administration	6,158
Culture & Recreation	22,085
Streets & Transportation	<u>16,629</u>
Total depreciation expense for governmental activities	<u>\$ 82,362</u>
Business-Type Activities:	
Water	\$ 10,777
Sewer	9,745
Electric	55,726
Sanitation	<u>16,826</u>
Total depreciation expense for business-type activities	<u>\$ 93,074</u>

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

3.D. Long-Term Debt

Governmental Activities - State statutes prohibit the Town from incurring any indebtedness or obligations that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. As of June 30, 2013 there was no long-term debt, arising from cash transactions, payable from governmental fund resources.

Business-Type Activities – As of June 30, 2013, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Capital Lease Obligations Payable:

Capital lease-purchase agreement with Caterpillar Financial Services Corporation original issue amount of \$1,250,000, dated March 30, 2005, issued by Laverne Public Works Authority, secured by a capacity purchase agreement with the Oklahoma Municipal Power Authority, interest rate of 6.4%, final maturity dated February, 2020. \$1,141,757

OWRB Note Payable:

On December 13, 2013 the Laverne Public Works Authority enter into a water distribution improvement note of \$3,700,000. The interest rate on the Note is 2.56% and matures September 5, 2043. It is secured by the water, sanitary sewer, and electric revenue of the LPWA. \$1,320,902

Utility Revenues Pledged

The Town has pledged future revenue from the OMPA dedicated electric capacity payments to repay \$1.25 million in a promissory note to Caterpillar Financial Services Corporation. Proceeds from the lease purchase were used to purchase a 3516 Caterpillar Generator set. The note is payable through 2020. Monthly principal and interest payments on the note are expected to require all the capacity payments. The total principal and interest remaining to be paid on the note is \$1,681,692. The Town received \$100,043 in capacity payments during the year and the debt service was \$101,400, which is 101% of the pledged revenue.

The Town has pledged future water, sanitary sewer and electric revenue to OWRB to repay the \$3.7 million Note. Proceeds from the Note are being used to make water distribution system improvements. The note is payable through September 15, 2043. The interest and principal remaining on the note is \$3,638,333. The pledged revenue was \$1,756,350. The annual debt revenue will be as high as \$216,535 or 12.3% of pledged revenue.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Long-term liability activity for the year ended June 30, 2013, was as follows:

Business Type Activities:					
OWRB Note	\$0	1,820,902	(529,083)	\$1,320,902	\$29,586
Capital Lease Obligations	<u>\$ 1,141,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,141,757</u>	<u>\$ 29,083</u>
Total Business-Type Activities	<u>\$ 1,141,757</u>	<u>\$ 1,820,902</u>	<u>\$ (529,083)</u>	<u>\$ 2,433,576</u>	<u>\$58,669</u>

The annual debt service requirements to maturity are as follows:

Business-type Activity Year Ending June 30	Capital Lease Obligation		OWRB Note Payable	
	Principal	Interest	Principal	Interest
2014	\$ 32,242	70,358	\$ 61,666	36,768
2015	35,610	68,190	123,333	93,203
2016	39,201	65,799	123,333	86,429
2017	43,029	63,171	123,333	85,655
2018	47,109	60,291	123,333	81,881
2018-2023	915,483	139,809	616,666	352,792
2023-2028			616,667	258,442
2028-2033			616,667	164,092
2033-2038			616,667	69,742
2038-2043			178,335	2,524
	1,112,674	467,618	3,200,000	1,231,528

Interest expense was charged to functions as follows in the Statement of Activities:

Business-Type Activities:

Electric	\$ 72,317
Water	6,204

3.E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013 was as follows:

Interfund Transfers:

Transfer Out	Transfer In	Amount	Purpose of Transfer
Sanitation	Grant Fund	<u>\$ 49,999</u>	Seed money for grants
Grant	LPWA	<u>\$ (13,851)</u>	Capital Purchase
Street and Alley	Grant	<u>\$ 7,000</u>	Seed money for grants

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 49,999	\$ (49,999)	\$ -
Enterprise Funds	<u>13,851</u>	<u>(13,851)</u>	<u>-</u>
Total	<u>\$ 63,850</u>	<u>\$ (63,850)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities – governmental and business-type activities:

Capital Assets transferred to business-type funds from Governmental activities	\$ 13,851
Seed money from LPWA to governmental fund	<u>(49,999)</u>
Transfers – Internal Activity	<u>\$ 36,148</u>

Note 4 - Other Notes

4.A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The Town manages these various risks of loss as follows:

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Fire Department Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers' Compensation – Workers' compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.
- Employee's Group Medical – Covered through purchase of commercial insurance.

The Town's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claim reserves and other purposes for the benefit of the Town. Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the Town, and such claims have not exceeded the coverage over the past three years.

4.B. Contingencies

Federal and State Award Programs - The Town of Laverne participates in various federal and state grant/loan programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Litigation - The Town is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accrual or provision for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town Sinking Fund for the payment of any court-assessed judgment rendered against the Town. This provision is not applicable to authorities or public trusts. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

4.C. Commitments

Compensated Absences – As a result of the Town’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave, compensatory time earned but unpaid at year-end, and banked holiday) are not reflected in the financial statements. Governmental funds obligation for accrued compensated absences is \$2,968, while the General Fund unassigned fund balance exceeds the liability at June 30, 2013. Proprietary funds obligation for accrued compensated absences is \$7,799, while the LPWA unreserved fund balance exceeds this liability at June 30, 2013.

Contract Commitments – The Town is in progressing on major water distribution projects. It is committed for the following amounts to three different companies in the amounts of \$524,490, \$263,631 and \$412,715 for a total of \$1,200,836.

4.D. Employee Pension Plans

The Town of Laverne participates in two pension or retirement plans:

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Municipal Retirement Fund (OMRF) – an agent multiple-employer defined benefit plan

Firefighters’ Retirement Plan – Pursuant to the requirements of Title 11, section 22-102, the Town of Laverne participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighter’s Pension and Retirement System (OFPRS) on behalf of both paid and volunteer firefighters. The Town has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

The contribution rates for the Town and its employees are established by Statute. The Town is required to contribute \$60 per volunteer for the year ended June 30, 2013. This contribution covers portion of the cost of benefits that will be paid to vested volunteer firemen. Additional funding comes from a percentage of all taxes on premiums collected by insurance companies and appropriated by the State of Oklahoma.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

The Town contributed \$1,200 in 2012-13 and \$1,260 in 2011-12.

Municipal Retirement Plan - The Town of Laverne and its employees participate in an agent multiple employer defined benefit pension plan through the Oklahoma Municipal Retirement Fund (OMRF). All regular full time employees, except those covered under another retirement system, are eligible. Employees

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

are vested at 5 years. The Town's OMRF defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The OMRF System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OMRF, P.O. Box 25848, Oklahoma City, OK 73125 or by calling 1-888-394-6673.

Funding Policy - The contribution requirements of Town of Laverne and employees are established and may be amended by the OMRF board. Employees are required to contribute 3.75% of their annual covered salary. Town of Laverne is required to contribute at an actuarially determined rate; the rate at June 30, 2013 is 9.45% of covered payroll.

Annual Pension Cost - For 2012-2013, the Town of Laverne's annual pension cost of \$64,870 for the OMRF plan was equal to the required and actual contributions. The required contribution was determined as part of the March, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, and (b) projected salary increases due to age/seniority, compounded annually.

Schedule of Retirement Plan Contributions – OMRF Defined Benefit Plan

<u>Fiscal Year</u>	<u>Actuarial Required Contribution</u>	<u>Percentage Contributed</u>	<u>Pension Benefit Obligation</u>
2011	\$69,160	100%	\$0
2012	\$71,959	100%	\$0
2013	\$64,870	100%	\$0

Funding Status and Funding Progress – As of January 1, 2013, the most recent actuarial valuation date, the plan was 75.7 percent funded. The actuarial accrued liability for benefits was \$1,040,361 and the actuarial value of assets was \$787,270, resulting in an unfunded actuarial accrued liability (UAAL) of \$253,091 (This compares to a prior year UAAL of \$275,661.). The covered payroll (total annualized rate of pay as of the valuation date based on actual pay for the preceding year) was \$373,011, and the ratio of the UAAL to the covered payroll was 67.9 percent. The Town's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis.

4.E. Prior Period Adjustment

In the prior year encumbrances were shown as a modification of the cash basis. In the current year it is no longer considered a modification to cash basis. Also the PWA portion of the OMAG accounts was not recorded in the prior year. The effect of this change is as follows:

	General Fund	Laverne PWA
Beginning Balance	\$ 220,222	\$ 1,562,779
Encumbrances	17,051	125,623
OMAG account	_____	17,911
Ending Balance	<u>237,273</u>	<u>1,706,313</u>

SUPPLEMENTAL INFORMATION

TOWN OF LAVERNE, OKLAHOMA
Combining Statement of Assets, Liabilities, and Fund Equity
Non-major Governmental Funds - Modified Cash Basis
June 30, 2013

	Street & Alley	Improvement Fund	Grant Fund	Volunteer Fire Fund	Total Non-major Governmental Funds
<u>Assets</u>					
Cash and Cash Equivalents	\$ 35,369	\$ 1,542	\$ 114,480	\$ 105,163	\$ 256,554
Restricted Cash and Cash Equivalents					-
Restricted Investments					-
Deposits with Insurance Pool					-
Due from Other Funds			4,186		4,186
<i>Total Assets</i>	35,369	1,542	118,666	105,163	260,740
 <u>Liabilities</u>					
Encumbrances Payable					-
Warrants Outstanding	1,124		9,899	457	11,480
Due to Other Funds	4,159				4,159
<i>Total Liabilities</i>	5,283	-	9,899	457	15,639
 <u>Fund Balances</u>					
Non Spendable					-
Restricted	30,086		108,767	104,707	243,560
Committed					-
Assigned		1,542			1,542
Unassigned					-
					-
<i>Total Fund Balances</i>					-
<i>Total Liabilities and Fund Balances</i>	30,086	1,542	108,767	104,707	245,102
	\$ 35,369	\$ 1,542	\$ 118,666	\$ 105,163	\$ 260,740

See accompanying notes to basic financial statements.

TOWN OF LAVERNE, OKLAHOMA
Combining-Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds - Modified Cash Basis
For the Year Ending June 30, 2013

	<u>Street & Alley</u>	<u>Improvement Fund</u>	<u>Grant Fund</u>	<u>Volunteer Fire Fund</u>	<u>Total Non-major Governmental Funds</u>
Revenues					
Taxes	\$	\$	\$	\$	\$ -
Intergovernmental	11,024		86,658	4,484	102,166
Fines and Forfeitures					-
Licenses and Permits					-
Charges for Services				3,826	3,826
Investment Income	76		157	256	490
Miscellaneous				30,670	30,670
<i>Total Revenues</i>	<u>11,100</u>	<u>-</u>	<u>86,816</u>	<u>39,236</u>	<u>137,152</u>
Expenditures					
Current:					
Administration					-
Police					-
Fire/EMS				19,352	19,352
General Government					-
Library			6,735		6,735
Parks					-
Streets	4,862				4,862
Capital Outlay			68,556	1,135	69,691
Debt Service					-
<i>Total Expenditures</i>	<u>4,862</u>	<u>-</u>	<u>75,292</u>	<u>20,487</u>	<u>100,641</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>6,238</u>	<u>-</u>	<u>11,524</u>	<u>18,749</u>	<u>36,511</u>
Other Financing Sources (Uses)					
Transfers In			49,999		49,999
Transfers Out			(13,851)		(13,851)
Inter-account Transfers Out	(7,000)				(7,000)
Inter-account Transfers In			7,000		7,000
<i>Total Other Financing Sources (Uses)</i>	<u>(7,000)</u>	<u>-</u>	<u>43,148</u>	<u>-</u>	<u>36,148</u>
<i>Net Change in Fund Balances</i>	(762)	-	54,672	18,749	72,659
<i>Fund Balances - Beginning</i>	<u>30,848</u>	<u>1,542</u>	<u>54,095</u>	<u>85,958</u>	<u>172,443</u>
<i>Fund Balances - Ending</i>	\$ <u>30,086</u>	\$ <u>1,542</u>	\$ <u>108,767</u>	\$ <u>104,707</u>	\$ <u>245,103</u>

See accompanying notes to basic financial statements.

TOWN OF LAVERNE, OKLAHOMA
Schedule of and State Awards
Modified Cash Basis
For the Year Ending June 30, 2013

<u>Grantor/Program Title</u>	<u>Award Amount</u>	<u>Prior Year Revenues</u>	<u>Current Year Revenues</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
State Awards:					
Okla Dept of Libraries- Sate Aide 2012	5,450	4,905	545	2,088	3,071
Okla Dept of Libraries- Sate Aide 2013	5,449		5,449		1,830
Depart of Ag. Operation Grant - 13	4,484		4,484		4,484
Okla Dept of Libraries E-material	1,932		1,932		1,835
REAP '12 Street Extension	49,999		49,999		49,999
Okla Dept of Ag. Rural Fire Grant	6,070		-		6,048
Harper County Rural Dev.	4,186		4,186		4,186
REAP '11 Sewer Improvement	17,799		17,799		17,799
	<u>95,369</u>	<u>4,905</u>	<u>84,394</u>	<u>2,088</u>	<u>89,252</u>
Total Federal Awards					

See accompanying notes to the basic financial statements.

**INTERNAL CONTROL AND COMPLIANCE AND
SINGLE AUDIT (A-133) INFORMATION**

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

Members of the Town Council
Town of Laverne, Oklahoma

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, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Laverne, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 12, 2014. The report was a special report on the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Management Discussion and Analysis is not presented as required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies, or material weaknesses and therefore, significant deficiencies, or material weaknesses 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 findings and questioned costs that we consider to be significant deficiencies: 13-1, 13-2, 13-3, 13-4, 13-5, and 13-6.

Compliance and Other Matters

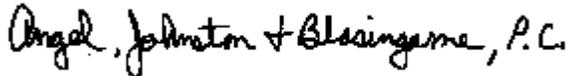
As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and questioned costs as items: 13-5, and 13-6.

Town of Laverne's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Chickasha, Oklahoma
September 12, 2014

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Town Board
Town of Laverne, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Town of Laverne's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Town's major federal programs for the year ended June 30, 2013. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on the compliance for each major program. Our audit does not provide a legal determination of the Town's compliance.

Opinion on Safe Drinking Water State Revolving Fund

In our opinion, the Town of Laverne, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 13-1 to 13-6. Our opinion on each major federal program is not modified with respect to these matters.

Town's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 13-5 and 13-6.

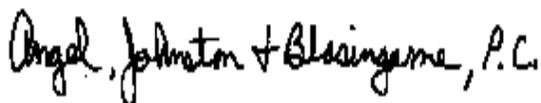
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Town's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Angel Johnston, & Blasingame, PC



Chickasha, Oklahoma
September 12, 2014

TOWN OF LAVERNE, OKLAHOMA
Schedule of Expenditures of Federal Awards
Modified Cash Basis
For the Year Ending June 30, 2013

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant #</u>	<u>Award Amount</u>	<u>Award Expenditures</u>
FEDERAL AWARDS:				
<u>Environmental Protection Agency</u>				
Safe Drinking Water State Revolving Fund	66.468	ORF-12-0004-DW	\$ <u>500,000</u>	\$ <u>500,000</u>
Total Environmental Protection Agency			\$ <u>500,000</u>	\$ <u>500,000</u>
<u>Department of Justice</u>				
Edward Byrne Memorial Justice Assistance Grant Program	16.804	JAG-LLE-2012	\$ <u>6,691</u>	\$ <u>6,691</u>
Total Department of Justice			\$ <u>6,691</u>	\$ <u>6,691</u>
Total Federal Awards			\$ <u><u>506,691</u></u>	\$ <u><u>506,691</u></u>

See accompanying notes to schedule of expenditures and federal awards.

Town of Laverne Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2013

NOTE A--Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the grant activity of the Town of Laverne under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Town of Laverne, it is not intended to and does not present the financial position, Changes in net assets, or cash flows of the Town of Laverne.

NOTE B--Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. The expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principle for State, Local, and Indian Tribal Governments, wherein certaintypes of expenditures are not allowable or limited as to reimbursement.

**TOWN OF LAVERNE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified not considered to be material weaknesses? | Yes |
| 2. Type of auditor's report issued on compliance for major program: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | |
| Yes | |
| 4. Identification of major programs: | |

CFDA Number
66.468

Name of Federal Program
Safe Drinking Water State Revolving Fd

- | | |
|---|-----------|
| Dollar threshold used to distinguish between Type A or Type B programs: | \$300,000 |
| 5. Auditee qualified as low-risk auditee? | No |

TOWN OF LAVERNE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Section 2

Findings-Financial Statement Audit

SIGNIFICANT DEFICIENCY

13-1. Criteria – Documentation of time worked by employees needs to be reviewed and retained.

Condition – Several timesheets could not be located and the ones located did not have approval of a supervisor.

Cause – Lack of established procedures and training of payroll personnel.

Effect – There is a lack of historical data verifying employee time.

Recommendation – Establish documentation procedures and monitor compliance.

Management response – Management agrees.

13-2. Criteria – All employees vacation and sick leave should be tracked.

Condition – Exempt employees vacation and sick leave is being tracked.

Cause – Lack of understood procedures to monitor appropriate balances.

Effect – Employees could be given too much or too little vacation and/or sick leave.

Recommendation – Establish a monitoring activity to track unused balances.

Management response – Management agrees.

13-3. Criteria – Employee payment histories should be retained.

Condition – Several former employees have been deleted from the computer system.

Cause – In an effort to limit exposure of disclosing employee information employee information is deleted.

Effect – Town-wide information was incomplete for 2012-13 and historical information is no longer available. Through the use of a backup data restoration this Information was retrieved.

Recommendation – Don't deleted former employee information. Their account status can be converted to inactive.

Management response – Management agrees.

TOWN OF LAVERNE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

- 13-4. Criteria – Pay raises and adjustments should be documented for all employees.
- Condition – The town supervisor and former town clerk received raises but no documentation could be found in board minutes or in the payroll files.
- Cause – Lack of procedures to establish appropriate documentation of payroll changes.
- Effect – There was no documentation to verify appropriate pay for these two employees..
- Recommendation – All raises should have independent documented rate change forms.
- Management response – Management agrees.
- 13-5. Criteria – Purchasing procedures according to state statute should include initiating the purchase with a purchase order and formal acknowledgement procedure for evidencing receipt of goods or services.
- Condition – There were 3 unsigned purchase orders, 12 purchases with evidence or receipt verification and 5 purchase orders dated after the invoice date.
- Cause – Turnover in personnel and inexperience of the personnel.
- Effect – Violation of statutes and possible breakdown in the budget control activities.
- Recommendation – Re-enforce the correct procedure and provide training if necessary.
- Management response – Management agrees.

Section 3

Findings and Question Costs-Major Federal Award Programs Audit

- 13-6. Criteria – Davis-Bacon Act requires wages to be paid at the authorized prevailing rate.
- Condition – There were two interviewed employees that were noted at a pay rate below the prevailing rate for their work classification.
- Cause – The contractors reported weekly their pay rates and work classifications. The rates are to be reviewed by the project engineer. On two employees for one period the wrong rate was paid.
- Effect – The project engineer interviewed two employees on April 16 one employee was certified to being underpaid \$1.70 per hour and the other \$2.70 per hour. The underpayment was not caught in the interview process apparently because the rate was compared to the wrong classification.
- Recommendation – Continue to communicate prevailing wage requirements, but be sure to have the correct classification information when verifying rates.
- Management response – Management agrees.

TOWN OF LAVERNE, OKLAHOMA
DISPOSITION OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2013

Deficiencies of Internal Control, Compliance and Other Matters:

12-1. Criteria - A good system of internal control provides for a proper segregation of the accounting functions.

Findings - The Town has a small number of employees that perform the duties that would normally be divided among a large number of employees.

Recommendation – It may not be cost effective to hire the additional administrative staff that would be necessary in order to adequately segregate the responsibilities. However management needs to closely monitor accounting records to mitigate the risk.

Current Status – This situation still exists. Turnover has not allowed for the design of procedure and cross training that would relieve this situation.

12-2. Criteria – The meter deposits listing should be reconciled on a monthly basis to ensure all customer deposits are being deposited into the bank.

Condition – The meter deposits listing is manual so no total is available to reconcile collections and refunds in total to the meter deposit listing to ensure they are properly accounted for within the accounting system.

Recommendation – The Town should computerize the meter deposit listing so activity can be reconciled to the accounting records.

Management response – Procedures were noted that relieved this issue.

12-3. Criteria – The Town has a sales tax rate of 2.25%. A portion of this tax .25% is designated for capital improvements. These funds need to have an on-going tracking procedure to insure all restricted revenue is spent in accordance with sales tax ordination restrictions..

Condition –There was no up-to-date tracking system in place at the time of our fieldwork..

Recommendation – The Town should track this on a monthly basis.

Management response – This has been tracked and is currently not noted as a finding.

12-4 Criteria – Collections need to be deposited into the appropriate fund.

Condition – There were two deposit errors that occurred several months prior to the audit. They were located in the reconciliation process, but were not transferred into the correct fund.

Recommendation – Authorize the clerk and treasurer to transfer money into the correct funds.

Management Response – These were considered isolated situations and have not been noted as a finding in 2013-14.

TOWN OF LAVERNE, OKLAHOMA
DISPOSITION OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2013

12-5 Criteria – Sick and vacation time should be tracked for all employees.

Condition – The Town Superintendent, Treasurer, Town Clerk, and Police Chief are not turning in timesheets, nor are they tracking accrued sick and vacation time for these employees.

Recommendation – The board should come to an agreement on the starting carryover for sick and vacation days for those who have not tracked previously.

Management Response – This issue has not been resolved. See current findings for the Town's response.

12-6 Criteria – State statutes require that a responsible employee sign for all goods and services indicating they have been received.

Effect – Payments could be made for goods or services not received by the Town.

Recommendation – Reinforce the need for this procedure. Consider the need to establish a monitoring procedure to ensure compliance.

Management Response – This continues to be a findings. See current findings for the Town's response.

12-7 Criteria –All capital assets acquired need to be accumulated for financial statement presentation.

Condition – The Town had a listing of new capital assets. However, in the audit process we noted several assets that had not been included.

Recommendation – All administrative employees should assist in identification of capital assets..

Management Response – This has improved and is not noted as a finding in the 2013-14 year.

Prior findings related to Federal programs:

None were noted in prior year.