

TOWN OF LAVERNE
June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
Town of Laverne, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Laverne, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.C., the Town of Laverne, Oklahoma prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position--modified cash basis 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, 2012, and the respective changes in financial position—modified cash basis, and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.C.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013, on our consideration of the City'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* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Laverne's financial statements as a whole. The accompanying other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statement. The other information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The other information has been subject to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole on the basis of accounting described in Note 1.C.

Angel, Johnston + Blessingame, P.C.

Chickasha, Oklahoma
June 25, 2013

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF LAVERNE, OKLAHOMA
Statement of Net Assets - Modified Cash Basis
June 30, 2012

	<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	\$ 285,174	\$ 1,877,383	\$ 2,162,557
Deposit with Insurance Pool	28,889		28,889
Restricted Cash and Cash Equivalents	119,634	66,349	185,983
Investments			-
Deferred Amount on Debt Refunded			-
Land and Other Non-depreciable Assets	63,297	18,585	81,882
Construction in Progress		50,500	50,500
Other capital assets, net	1,059,734	1,468,424	2,528,158
Note issue costs, net			-
<i>Total Assets</i>	<u>1,556,728</u>	<u>3,481,241</u>	<u>5,037,969</u>
<u>Liabilities</u>			
Encumbrances Payable	17,787	185,879	203,666
Warrants Outstanding	23,245	102,012	125,257
Due to Depositors		66,349	66,349
Long-Term Liabilities:			
Due within one year		29,083	29,083
Due in more than one year		1,112,674	1,112,674
<i>Total Liabilities</i>	<u>41,032</u>	<u>1,495,997</u>	<u>1,537,029</u>
<u>Net Assets</u>			
Invested in Capital Assets, net of related debt	1,123,031	395,752	1,518,783
Restricted for Debt Service			-
Restricted for Capital Projects			-
Restricted for Volunteer Fire	85,958		85,958
Restricted for Streets.	30,848		30,848
Restricted for Other Purposes	2,817		2,817
Unrestricted	273,042	1,589,492	1,862,534
<i>Total Net Assets</i>	<u>\$ 1,515,696</u>	<u>\$ 1,985,244</u>	<u>\$ 3,500,940</u>

See accompanying notes to basic financial statements.

TOWN OF LAVERNE, OKLAHOMA
Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2011

<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	\$ 86,862	\$ 3,507	\$	\$	\$ (83,355)	\$ -	\$ (83,355)
Public Safety	321,698	17,116			(304,582)	-	(304,582)
Health & Welfare	29,436	4,033	5,483		(19,920)	-	(19,920)
Culture & Recreation	56,852	5,862			(50,990)	-	(50,990)
Streets & Transportation	26,480			103,747	77,267	-	77,267
<i>Total Governmental Activities</i>	<u>521,328</u>	<u>30,518</u>	<u>5,483</u>	<u>103,747</u>	<u>(381,580)</u>	<u>-</u>	<u>(381,580)</u>
Business-Type Activities:							
Electric	1,240,007	1,284,121		-	-	44,114	44,114
Water	234,999	218,442		-	-	(16,557)	(16,557)
Sewer	93,660	85,122		-	-	(8,538)	(8,538)
Sanitation	165,596	191,021		-	-	25,425	25,425
Interest on Long-term Debt	74,081	99,120		-	-	25,039	25,039
<i>Total Business-Type Activities</i>	<u>1,808,343</u>	<u>1,877,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,483</u>	<u>69,483</u>
<i>Total Primary Government</i>	<u>2,329,671</u>	<u>1,908,344</u>	<u>5,483</u>	<u>103,747</u>	<u>(381,580)</u>	<u>69,483</u>	<u>(312,097)</u>
General Revenues:							
Taxes:							
Sales Tax					317,408		317,408
Use Tax					21,484		21,484
Franchise Tax					10,305		10,305
Intergovernmental Revenue					65,550		65,550
Investment Income					1,400	15,161	16,561
Miscellaneous					87,505	31,588	119,093
Transfers - Internal Activity							-
<i>Total General Revenues and Transfers</i>					<u>503,652</u>	<u>46,749</u>	<u>550,401</u>
<i>Change in Net Assets</i>					122,072	116,232	238,304
<i>Net Assets - Beginning</i>					<u>1,393,624</u>	<u>1,869,012</u>	<u>3,262,636</u>
<i>Net Assets - Ending</i>					<u>\$ 1,515,696</u>	<u>\$ 1,985,244</u>	<u>\$ 3,500,940</u>

See accompanying notes to basic financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF LAVERNE, OKLAHOMA
Statement of Assets, Liabilities, and Fund Equity
Governmental Funds - Modified Cash Basis
June 30, 2012

	<u>General Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 231,629	\$ 53,545	\$ 285,174
Restricted Cash and Cash Equivalents		119,634	119,634
Deposits with Insurance Pool	28,889	-	28,889
Due from Other Funds		-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>260,518</u>	<u>173,179</u>	<u>433,697</u>
<u>Liabilities</u>			
Encumbrances Payable	17,051	736	17,787
Warrants Outstanding	23,245		23,245
Due to Other Funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	<u>40,296</u>	<u>736</u>	<u>41,032</u>
<u>Fund Balances</u>			
Non Spendable		-	-
Restricted		119,623	119,623
Committed		-	-
Assigned		52,820	52,820
Unassigned	220,222	-	220,222
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>220,222</u>	<u>172,443</u>	<u>392,665</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 260,518</u>	<u>\$ 173,179</u>	<u>\$ 433,697</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, 2012

	General Fund	Non-Major Governmental Fund	Total Governmental Funds
Revenues			
Taxes	\$ 349,196	\$	\$ 349,196
Intergovernmental	49,578	125,202	174,780
Fines and Forfeitures	17,116		17,116
Licenses and Permits	3,507		3,507
Charges for Services	9,896		9,896
Investment Income	903	497	1,400
Miscellaneous	52,570	34,935	87,505
<i>Total Revenues</i>	482,766	160,634	643,400
Expenditures			
Current:			
Administration	74,526	-	74,526
Police	246,437	-	246,437
Animal Control	6,411		6,411
Fire/EMS	17,594	18,346	35,940
Economic Development			-
Library	19,186	2,666	21,852
Parks	36,437		36,437
Airport	5,713		5,713
Streets		5,393	5,393
Capital Outlay	19,043	103,747	122,790
Debt Service			-
<i>Total Expenditures</i>	425,347	130,152	555,499
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	57,419	30,482	87,901
Other Financing Sources (Uses)			
Transfers In			-
Transfers Out			-
<i>Total Other Financing Sources (Uses)</i>	-	-	-
<i>Net Change in Fund Balances</i>	57,419	30,482	87,901
<i>Fund Balances - Beginning</i>	162,803	141,961	304,764
<i>Fund Balances - Ending</i>	\$ 220,222	\$ 172,443	\$ 392,665

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, 2012

Reconciliation to Statement of Net Assets:

Fund balances of governmental funds		\$ 392,665
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	2,656,837
	Accumulated depreciation	(1,533,806)
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:		
	Capital debt obligation payable	
	State obligation payable	
	General obligation bonds payable	_____
Net assets of governmental activities		\$ 1,515,696

Reconciliation to Statement of Activities:

Net change in fund balances of governmental funds		\$ 87,901
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	122,790
	Depreciation expense	(88,619)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
	Capital debt obligation payments	
	State obligation payable	
	General obligation bonds principal payments	_____
Change in net assets of governmental activities		\$ 122,072

See accompanying notes to basic financial statements.

TOWN OF LAVERNE, OKLAHOMA
Statement of Net Assets
Proprietary Funds - Modified Cash Basis
June 30, 2012

	<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	\$ 1,538,621	\$ 338,762	\$ 1,877,383
Due from Other Funds	-	-	-
<i>Total Current Assets</i>	<u>1,538,621</u>	<u>338,762</u>	<u>1,877,383</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	66,349		66,349
Restricted Investments			-
Deferred Amount on Debt Refunded			-
Land and Other Non-depreciable Assets	68,585	500	69,085
Other Capital Assets, net of depreciation	1,372,578	95,846	1,468,424
Note Issue Costs, net of accumulated amortization			-
<i>Total Noncurrent Assets</i>	<u>1,507,512</u>	<u>96,346</u>	<u>1,603,858</u>
<i>Total Assets</i>	<u>3,046,133</u>	<u>435,108</u>	<u>3,481,241</u>
<u>Liabilities</u>			
Current Liabilities:			
Encumbrances Payable	175,623	10,256	185,879
Warrants Payable	99,625	2,387	102,012
Due to Depositors	66,349		66,349
Notes Payable	29,083	-	29,083
<i>Total Current Liabilities</i>	<u>370,680</u>	<u>12,643</u>	<u>383,323</u>
Noncurrent Liabilities:			
Notes Payable	1,112,674	-	1,112,674
<i>Total Noncurrent Liabilities</i>	<u>1,112,674</u>	<u>-</u>	<u>1,112,674</u>
<i>Total Liabilities</i>	<u>1,483,354</u>	<u>12,643</u>	<u>1,495,997</u>
<u>Net Assets</u>			
Invested in Capital Assets, net of related debt	299,406	96,346	395,752
Restricted for Debt Service		-	-
Unrestricted	1,263,373	326,119	1,589,492
<i>Total Net Assets</i>	<u>\$ 1,562,779</u>	<u>\$ 422,465</u>	<u>\$ 1,985,244</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, 2012

	<u>Enterprise Funds</u>		<u>Total Proprietary Funds</u>
	<u>Laverne Public Works Authority</u>	<u>Sanitation Fund</u>	
Operating Revenues			
Water revenue	\$ 218,442	\$ -	\$ 218,442
Electric revenue	1,284,122		1,284,122
Sewer revenue	85,122	-	85,122
Sanitation revenue		191,021	191,021
Pledged Revenue:			
Generator Capacity Payment	99,120	-	99,120
<i>Total Operating Revenues</i>	<u>1,686,805</u>	<u>191,021</u>	<u>1,877,826</u>
Operating Expenses			
Electric operations	1,187,237	-	1,187,237
Water operations	224,805	-	224,805
Sewer operations	84,761	-	84,761
Sanitation operations		149,120	149,120
Depreciation expense	71,863	16,476	88,339
<i>Total Operating Expenses</i>	<u>1,568,666</u>	<u>165,596</u>	<u>1,734,262</u>
<i>Operating Income (Loss)</i>	<u>118,139</u>	<u>25,425</u>	<u>143,564</u>
Nonoperating Revenues (Expenses)			
Investment income	12,914	2,247	15,161
Interest expense	(74,081)	-	(74,081)
Miscellaneous	(9,779)		(9,779)
Rental income (net)	41,367	-	41,367
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(29,579)</u>	<u>2,247</u>	<u>(27,332)</u>
Net Income (Loss) Before Transfers	88,560	27,672	116,232
Transfers In		-	-
Transfers Out		-	-
<i>Change in Net Assets</i>	88,560	27,672	116,232
<i>Net Assets - Beginning</i>	1,474,219	394,793	1,869,012
<i>Net Assets - Beginning - Restated</i>	<u>1,474,219</u>	<u>394,793</u>	<u>1,869,012</u>
<i>Net Assets - Ending</i>	<u>\$ 1,562,779</u>	<u>\$ 422,465</u>	<u>\$ 1,985,244</u>

TOWN OF LAVERNE, OKLAHOMA
Statement of Cash Flows
Proprietary Funds - Modified Cash Basis
For the Year Ending June 30, 2012

	Enterprise Funds		Total Proprietary Funds
	Laverne Public Works Authority	Sanitation Fund	
Cash Flows From Operating Activities			
Receipts from customers	\$ 1,686,805	\$ 191,021	\$ 1,877,826
Payment to employee	(450,202)	(44,873)	(495,075)
Vendors and others paid	(987,678)	(102,690)	(1,090,368)
Other receipts (payments)			-
<i>Net Cash Provided by Operating Activities</i>	<u>248,925</u>	<u>43,458</u>	<u>292,383</u>
Cash Flows From Noncapital Financing Activities			
Miscellaneous revenues	31,586		31,586
Transfers to other funds		-	-
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>31,586</u>	<u>-</u>	<u>31,586</u>
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(78,437)	(7,000)	(85,437)
Principal paid on debt	(26,119)	-	(26,119)
Interest paid on debt	(74,081)	-	(74,081)
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	<u>(178,637)</u>	<u>(7,000)</u>	<u>(185,637)</u>
Cash Flows From Investing Activities			
Interest received	12,914	2,247	15,161
Increase in investments	-	-	-
<i>Net Cash Provided by Investing Activities</i>	<u>12,914</u>	<u>2,247</u>	<u>15,161</u>
<i>Net Increase in Cash and Cash Equivalents</i>	114,788	38,705	153,493
<i>Balance - Beginning of the Year</i>	<u>1,423,833</u>	<u>300,057</u>	<u>1,723,890</u>
<i>Balance - End of the Year</i>	<u><u>1,538,621</u></u>	<u><u>338,762</u></u>	<u><u>1,877,383</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	118,139	25,425	143,564
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	71,863	16,476	88,339
Changes in assets and liabilities:			
Warrants Outstanding	4,045	(365)	3,680
Encumbrances payable	54,878	1,922	56,800
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 248,925</u>	<u>\$ 43,458</u>	<u>\$ 292,383</u>

See accompanying notes to basic financial statements.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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" 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 Assets 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, 2012

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 Assets 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.
- Encumbrances are shown as expenses when incurred. This is consistent with the budgetary basis the Town uses for operations.

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, 2012

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, 2012

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 Assets. 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 Assets. 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, 2012

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 assets. 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, 2012

As of June 30, 2012, fund balances are composed of the following:

	General	Street &	Improv.	Grant	Volunteer	
	Fund	Alley	Fund	Fund	Fire	Total
Non-spendable	-	-	-	-	-	-
Restricted:	-					-
Street	-	30,848	-	-	-	30,848
Grant Library	-	-	-	2,817	-	2,817
Fire Service	-	-	-	-	85,958	85,958
Committed	-	-	-	-	-	-
Assigned:						-
Capital Projects	-	-	1,542	-	-	1,542
Grant Seed Funds	-	-	-	51,278	-	51,278
Unassigned	220,222	-	-	-	-	220,222
Total	220,222	30,848	1,542	54,095	85,958	392,665

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 net assets* – 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, 2012

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

At June 30, 2012, the reporting entity had the following deposits and investments:

<u>Type of Deposits and Investments</u>	<u>Carrying Value</u>
Deposits:	
Petty Cash	\$ 100
Demand deposits	210,947
Demand deposit-agency funds	66,349
Savings accounts	333,971
Pooled cash OMAG	28,889
Time Deposits	<u>1,737,175</u>
Total Deposits	<u>\$ 2,377,431</u>
Investments:	
	<u>Maturities</u> <u>Credit Rating</u>
	-
 Total Deposits and Investments	 <u>\$ 2,377,429</u>

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, 2012, the Town's bank balances of \$2,377,429 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 are primarily governed by any restrictions in their trust or note indenture. The Town's had no marketable investments at June 30, 2012.

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.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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, 2012 were as follows

<u>Type of Restricted Assets</u>	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>
Street and Alley	-	
Grants	-	
Customer Utility Deposits	<u>69,414</u>	
Total Restricted Assets	<u>\$ 69,414</u>	=

3.C. Capital Assets

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>6/30/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/12</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 63,297	\$ -	\$ -	\$63,297
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>63,297</u>	<u>-</u>	<u>-</u>	<u>63,297</u>
Capital assets, being depreciated:				
Buildings	1,545,509	115,747	-	1,661,256
Equipment	316,049	7,043	0	323,092
Vehicles	426,132	0	0	426,132
Infrastructure	<u>183,060</u>	<u>-</u>	<u>-</u>	<u>183,060</u>
Total capital assets, being depreciated	<u>2,470,750</u>	<u>122,790</u>	<u>0</u>	<u>2,593,540</u>
Less accumulated depreciation for:				
Buildings	904,201	28,708	-	932,909
Equipment	172,878	24,501	0	197,379
Vehicles	275,298	26,910	0	302,208
Infrastructure	<u>92,810</u>	<u>8,500</u>	<u>-</u>	<u>101,310</u>
Total accumulated depreciation	<u>1,445,187</u>	<u>88,619</u>	<u>0</u>	<u>1,533,806</u>
Total capital assets, being depreciated, net	<u>1,025,563</u>	<u>34,171</u>	<u>-</u>	<u>1,059,734</u>
Governmental activities capital assets, net	<u>\$ 1,088,860</u>	<u>\$ 34,171</u>	<u>\$ -</u>	<u>\$ 1,123,031</u>

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

	<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/12</u>
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 18,585	\$ -	\$ -	\$ 18,585
Construction in progress	<u>0</u>	<u>50,500</u>	<u>-</u>	<u>50,500</u>
Total capital assets, not being depreciated	<u>18,585</u>	<u>50,500</u>	<u>-</u>	<u>69,085</u>
Capital assets, being depreciated:				
Buildings	5,000	-	-	5,000
Utility property/improvements	86,572	-	-	86,572
Equipment	1,566,891	34,937	0	1,601,828
Vehicles	<u>486,964</u>	<u>0</u>	<u>0</u>	<u>486,964</u>
Total capital assets, being depreciated	<u>2,145,427</u>	<u>34,937</u>	<u>0</u>	<u>2,180,364</u>
Less accumulated depreciation:				
Buildings	5,000	-	-	5,000
Utility property/improvements	6,989	2,164	-	9,153
Equipment	337,988	50,671	0	388,659
Vehicles	<u>273,625</u>	<u>35,504</u>	<u>0</u>	<u>309,129</u>
Total accumulated depreciation	<u>623,602</u>	<u>88,339</u>	<u>0</u>	<u>711,941</u>
Total capital assets, being depreciated, net	<u>1,521,825</u>	<u>(53,402)</u>	<u>-</u>	<u>1,468,423</u>
Business-type activities capital assets, net	<u>\$ 1,540,410</u>	<u>\$ (2,902)</u>	<u>\$ -</u>	<u>\$ 1,537,508</u>

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

Governmental Activities:	
Public Safety	\$ 32,910
Health/Welfare	7,584
Administration	12,336
Culture & Recreation	20,415
Streets & Transportation	<u>15,374</u>
Total depreciation expense for governmental activities	<u>\$ 88,619</u>
Business-Type Activities:	
Water	\$ 10,194
Sewer	8,899
Electric	52,770
Sanitation	<u>16,476</u>
Total depreciation expense for business-type activities	<u>\$ 88,339</u>

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, 2012, there was no long-term debt, arising from cash transactions, payable from governmental fund resources.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

Business-Type Activities – As of June 30, 2012, 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

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.

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/12</u>	<u>Amount Due Within One Year</u>
Business-Type Activities:					
Capital Lease Obligations	\$ 1,167,876	\$ -	\$ 26,119	\$ 1,141,757	\$ 29,083
Total Business-Type Activities	<u>\$ 1,167,876</u>	<u>\$ -</u>	<u>\$ 26,119</u>	<u>\$ 1,141,757</u>	<u>\$ 29,083</u>

The annual debt service requirements to maturity are as follows:

Business-Type Activities: <u>Year Ending June 30</u>	<u>Capital Lease Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 29,083	\$ 72,317
2014	32,242	70,358
2015	35,610	68,190
2016	39,201	65,799
2017	43,029	63,171
2018-2020	<u>962,592</u>	<u>200,100</u>
Sub-Total	<u>\$ 1,141,757</u>	<u>\$ 539,935</u>

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

Business-Type Activities:	
Electric	<u>\$ 74,081</u>

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

3.E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012 was as follows:

Interfund Transfers:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
LPWA Electric	Grant Fund	\$ 0	
		<u>\$ 0</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 0	\$ -	\$ 0
Enterprise Funds	-	0	0
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ -</u>

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

Capital Assets transferred to governmental funds from business-type activities	\$ -
Payment of governmental debt by business-type activities	-
Transfers – Internal Activity	<u>\$ -</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.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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.

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, 2012. Proprietary funds obligation for accrued compensated absences is \$7,799, while the LPWA unreserved fund balance exceeds this liability at June 30, 2012.

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, 2011. 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.

TOWN OF LAVERNE, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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 \$1260 in 2011-12 and \$1,200 in 2010-11.

Municipal Retirement Plan - The Town of Laverne and its employees participate in an agent multiple employer defined pension plan through the Oklahoma Municipal Retirement Fund (OMRF). All regular full time employees, except those covered under another retirement system, are eligible. Employees 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, 2012 is 11.15% of covered payroll.

Annual Pension Cost - For 2011-2012, the Town of Laverne's annual pension cost of \$71,959 for the OMRF plan was equal to the required and actual contributions. The required contribution was determined as part of the March, 2012 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>
2010	\$65,664	100%	\$0
2011	\$69,160	100%	\$0
2012	\$71,959	100%	\$0

Funding Status and Funding Progress – As of January 1, 2012, the most recent actuarial valuation date, the plan was 73.2 percent funded. The actuarial accrued liability for benefits was \$1,027,125 and the actuarial value of assets was \$751,464, resulting in an unfunded actuarial accrued liability (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 \$84,274, and the ratio of the UAAL to the covered payroll was 56.9 percent. The Town's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis.

4.E. Subsequent Events

On November 8, 2011 the citizens of the Town of Laverne voted to allow the Laverne Public Works Authority to enter into contracts for water improvements not to exceed Three Million Seven Hundred Thousand Dollars (\$3,700,000) to be paid over a 30 year term by utility customers of the Laverne Public Works Authority. In the 2012-13 year the Town issued the bonds and has contracted for the work to be performed.

OTHER INFORMATION

TOWN OF LAVERNE, OKLAHOMA
Unaudited Budgetary Comparison Schedule
General Fund - Modified Cash Basis
For the Year Ending June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 148,213	\$ 148,213	\$ 162,803	\$ (14,590)
Resources (Inflows):				
Taxes	301,907	301,907	366,936	(65,029)
Intergovernmental	31,185	31,185	43,515	(12,330)
Charges for services	6,335	6,335	8,427	(2,092)
Fines and forfeitures				-
Licenses and permits				-
Investment income				-
Miscellaneous	13,760	13,760	37,589	(23,829)
Transfers in				-
Total Resources (Inflows)	353,187	353,187	456,467	(103,280)
Amounts available for appropriations	501,400	501,400	619,270	(117,870)
Charges to Appropriations (Outflows):				
Personal services	345,000	385,000	337,582	47,418
Maintenance & Operations	111,400	111,400	75,764	35,636
Capital Outlay	45,000	5,000	-	5,000
Total Charges to Appropriations	501,400	501,400	413,346	88,054
Ending Budgetary Fund Balance	\$ -	\$ -	\$ 205,924	\$ (205,924)
Increase in OMAG account			14,299	
Total General Fund Fund Balance			\$ 220,223	

Note: In the financial statements \$12,000 for ballpark improvement donation to capital assets is reflected.
But it is not reflected in the budget since no cash funds were utilized.

See Disclaimer in Independent Auditor's Report.

TOWN OF LAVERNE, OKLAHOMA
Notes To Unaudited Required Supplemental Information
For the Year Ended June 30, 2012

Budgetary Information

Budget Law - The Town prepares its annual operating budget under the provisions of Titles 62 and 68 of the Oklahoma Statutes (Estimate of Needs). In accordance with those provisions, the following process is used to adopt the annual budget:

- In the first week of August, a financial statement is prepared on State prescribed forms for use in determining cash surplus of the General Fund and other “cash” funds of the Town.
- Using the State prescribed forms, an estimate of appropriation needs of the General Fund is prepared which is limited to no more than 90% of prior year actual recurring revenue plus cash surplus.
- The estimate of need forms are approved by the Town Board of Trustees and submitted to the County Excise Board in August.
- The budget for the General Fund becomes final upon County Excise Board approval.

The General Fund, Debt Service Fund and certain “cash” funds as defined by state law are required to have annual budgets, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. State statutes recognize the following object categories as the minimum legal level of control by department:

- Personal Services
- Maintenance and Operations
- Capital Outlay
- Interfund Transfers

All transfers of appropriations between departments and object categories require approval of the Town Council, and all supplemental appropriations require the approval of the Town Council and the County Excise Board. The budgets for the Special Revenue funds must be submitted on an as needed basis. The Town can only appropriate the cash balance on hand at the beginning of the fiscal year and monies as they are actually received.

The budgetary comparison schedules are reported on a non-GAAP budgetary basis that report revenues on a cash basis and expenditures on a cash basis modified for encumbrances.

TOWN OF LAVERNE, OKLAHOMA
Combining Statement of Assets, Liabilities, and Fund Equity
Non-major Governmental Funds - Modified Cash Basis
June 30, 2012

	<u>Street & Alley</u>	<u>Improvement Fund</u>	<u>Grant Fund</u>	<u>Volunteer Fire Fund</u>	<u>Total Non-major Governmental Funds</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$	\$ 1,542	\$ 52,003	\$ -	\$ 53,545
Restricted Cash and Cash Equivalents	30,859	-	2,817	85,958	119,634
Restricted Investments		-	-	-	-
Deposits with Insurance Pool		-	-	-	-
Due from Other Funds		-	-	-	-
<i>Total Assets</i>	<u>30,859</u>	<u>1,542</u>	<u>54,820</u>	<u>85,958</u>	<u>173,179</u>
<u>Liabilities</u>					
Encumbrances Payable	11	-	725	-	736
Warrants Outstanding		-	-	-	-
Due to Other Funds		-	-	-	-
<i>Total Liabilities</i>	<u>11</u>	<u>-</u>	<u>725</u>	<u>-</u>	<u>736</u>
<u>Fund Balances</u>					
Non Spendable	-	-	-	-	-
Restricted	30,848	-	2,817	85,958	119,623
Committed	-	-	-	-	-
Assigned		1,542	51,278	-	52,820
Unassigned		-	-	-	-
<i>Total Fund Balances</i>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Liabilities and Fund Balances</i>	<u>30,848</u>	<u>1,542</u>	<u>54,095</u>	<u>85,958</u>	<u>172,443</u>
	<u>\$ 30,859</u>	<u>\$ 1,542</u>	<u>\$ 54,820</u>	<u>\$ 85,958</u>	<u>\$ 173,179</u>

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, 2012

	Street & Alley	Improvement Fund	Grant Fund	Volunteer Fire Fund	Total Non-major Governmental Funds
Revenues					
Taxes	\$	\$	\$	\$	\$ -
Intergovernmental	11,559		109,230	4,413	125,202
Fines and Forfeitures					-
Licenses and Permits					-
Charges for Services					-
Investment Income	94		186	217	497
Miscellaneous				34,935	34,935
<i>Total Revenues</i>	11,653	-	109,416	39,565	160,634
Expenditures					
Current:					
Administration					-
Police					-
Fire/EMS				18,346	18,346
General Government					-
Library			2,666		2,666
Parks					-
Streets	5,393				5,393
Capital Outlay			103,747		103,747
Debt Service					-
<i>Total Expenditures</i>	5,393	-	106,413	18,346	130,152
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	6,260	-	3,003	21,219	30,482
Other Financing Sources (Uses)					
Transfers In					-
Transfers Out					-
<i>Total Other Financing Sources (Uses)</i>	-	-	-	-	-
<i>Net Change in Fund Balances</i>	6,260	-	3,003	21,219	30,482
<i>Fund Balances - Beginning</i>	24,588	1,542	51,092	64,739	141,961
<i>Fund Balances - Ending</i>	\$ 30,848	\$ 1,542	\$ 54,095	\$ 85,958	\$ 172,443

See accompanying notes to basic financial statements.

TOWN OF LAVERNE, OKLAHOMA
Schedule of Federal and State Awards
Modified Cash Basis
For the Year Ending June 30, 2012

<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>
Federal Awards:					
ODOT - #1013-Safe Route to School 155F(710)ST	126,000	19,320	103,747	19,320	103,747
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Federal Awards	<u>126,000</u>	<u>19,320</u>	<u>103,747</u>	<u>19,320</u>	<u>103,747</u>
State Awards:					
Okla Dept of Libraries- Sate Aide 2011	5,779	5,201	578	5,201	578
Okla Dept of Libraries- Sate Aide 2011	5,450	-	4,905	-	2,088
Depart of Ag. Operation Grant - 12	4,413	-	4,413	-	4,413
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Federal Awards	<u>15,642</u>	<u>5,201</u>	<u>9,896</u>	<u>5,201</u>	<u>7,079</u>

See accompanying notes to the basic financial statements.

INTERNAL CONTROL AND COMPLIANCE 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 have audited 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, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 25, 2013. 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we have identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a

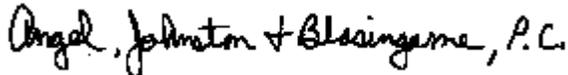
material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting: 12-1, 12-2, 12-3, 12-4, 12-5, 12-6, and 12-7.

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 responses as items; 12-3, and 12-6.

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.

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



Chickasha, Oklahoma
June 25, 2013

TOWN OF LAVERNE, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

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.

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

Cause - It has been the decision of the Town that hiring additional employees to improve this situation would not be cost effective.

Effect - A lack of internal control surrounding the accounting functions could result in more than a low risk that errors or irregularities may occur and not be detected within a timely period.

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.

Management response - Management agrees.

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.

Cause - The manual system makes it impractical to reconcile the meter deposit listing to the cash activity.

Effect -- A lack of proper procedures and controls does not allow for a means to ensure all deposit collections and refunds 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 - Management agrees.

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..

Cause - A tracking system had been in place but was not given a priority to maintain up-to-date.

Effect -- This could cause the funds not to be spent in compliance with restrictions.

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

Management response - Management agrees.

TOWN OF LAVERNE, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

- 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.
- Cause – The final procedure for final disposition of located errors was not clearly defined.
- Effect – Funds were retained in the incorrect fund.
- Recommendation – Authorize the clerk and treasurer to transfer money into the correct funds.
- Management Response – Management agrees.
- 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.
- Cause – There is no tracking of time for exempt employees or supervisors.
- Effect -- The liability for accrued vacation and sick time is unknown.
- 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 – Management agrees however they believe the Town Superintendent should only write on his timesheet when he took vacation or sick leave and that actual in and out time is not necessary.
- 12-6 Criteria – State statutes require that a responsible employee sign for all goods and services indicating they have been received.
- Condition – In our sampling we noted 60% of the invoices were not signed by an employee.
- Cause – Procedure has not been monitored for compliance.
- 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 – Management agrees.

TOWN OF LAVERNE, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

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.

Cause – Lack of a systematic and concerted effort by the entire staff to locate capital assets.

Effect – The financial presentation would be incomplete or incorrect..

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

Management Response – Management agrees.

