

**TOWN OF MANCHESTER**  
MANCHESTER, OKLAHOMA

AUDIT REPORT  
JUNE 30, 2010

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### Independent Auditor's Report

Board of Town Council  
Town of Manchester  
PO Box 5  
Manchester, Oklahoma 73758

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Manchester, State of Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Manchester, State of Oklahoma's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.


In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, major fund and the aggregate remaining fund information of the Town of Manchester, State of Oklahoma, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated June 17, 2013, on my consideration of the Town of Manchester, State of Oklahoma's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management has omitted the budgetary comparison information which is part of the required supplementary information and that accounting principles generally accepted in the United States of America require to be present to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Although my opinion on the basic financial statements are not affected, the following material departures from the prescribed guidelines exist – no budget was prepared, therefore a budgetary comparison report could not be completed. I do not express an opinion or provide any assurance on the information.

The Town of Manchester, State of Oklahoma, has not presented a Management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Manchester, State of Oklahoma's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected 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 records 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Linda S Woodruff CPA, PC  
June 17, 2013

TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

TOWN OF MANCHESTER  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Equivalents	\$ 15,551	\$ 15,777	\$ 31,328
Investments	96,239	13,658	109,897
Receivables	-	960	960
Due from Other Funds	45,728	-	45,728
Due from Other Governmental Agencies	-	-	-
Inventories	-	-	-
Other assets	-	-	-
Capital Assets			
Land and improvements not being depreciated	-	-	-
Infrastructure and infrastructure in progress, net of depreciation	-	-	-
Buildings, net of depreciation	-	-	-
Equipment and Furniture, net of depreciation	-	-	-
Other Capital Assets, net of depreciation	-	-	-
Less: Accumulated Depreciation	-	-	-
Total Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>157,518</u>	<u>30,395</u>	<u>187,913</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	-	1,555	1,555
Due to other funds	-	(1,415)	(1,415)
Deferred Revenues	-	-	-
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	-	-	-
Accrued interest	-	-	-
Compensated absences	-	-	-
Claims and judgments	-	-	-
Due in more than one year			
Bonds, capital leases and contracts	-	-	-
Accrued interest	-	-	-
Compensated absences	-	-	-
Claims and judgments	-	-	-
Total liabilities	<u>-</u>	<u>140</u>	<u>140</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Capital projects	-	-	-
Debt Service	-	-	-
Meter Deposits	-	2,178	2,178
Unrestricted	110,375	28,077	138,452
Total net assets	<u>\$ 110,375</u>	<u>\$ 30,255</u>	<u>\$ 140,630</u>

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

TOWN OF MANCHESTER  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Program Revenue</u>				<u>Net (Expense) 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>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 3,541	\$ -	\$ 44,804	\$ -	\$ 41,263		\$ 41,263
Public Safety	2,458	-	-	-	(2,458)		(2,458)
Street and Alley	47,143	-	-	-	(47,143)		(47,143)
Health, Welfare and Sanitation	-	-	-	-	-		-
Culture and Recreation	-	-	-	-	-		-
Education	-	-	-	-	-		-
Interest on Long-term debt	-	-	-	-	-		-
Total governmental activities	<u>53,142</u>	<u>-</u>	<u>44,804</u>	<u>-</u>	<u>(8,338)</u>		<u>(8,338)</u>
Business-type activities							
Public Works Authority	57,046	54,890	-	-		(2,156)	(2,156)
Other Business-type Activities	-	-	-	-		-	-
Total business-type activities	<u>57,046</u>	<u>54,890</u>	<u>-</u>	<u>-</u>		<u>(2,156)</u>	<u>(2,156)</u>
Total primary government	<u>110,188</u>	<u>54,890</u>	<u>44,804</u>	<u>-</u>	<u>(8,338)</u>	<u>(2,156)</u>	<u>(10,494)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					-	-	-
Property taxes, levied for debt service					-	-	-
Franchise taxes					768	-	768
Public service taxes					-	-	-
Grants and contributions not restricted to specific programs					-	-	-
Unrestricted investment earnings					2,125	314	2,439
Miscellaneous					5,516	-	5,516
<i>Special item</i> - gain on sale of asset					-	-	-
Transfers					-	-	-
Total general revenues, special items, and transfers					<u>8,409</u>	<u>314</u>	<u>8,723</u>
Change in net assets					71	(1,842)	(1,771)
Net assets - beginning					110,304	29,919	140,223
Net assets - ending					<u>\$ 110,375</u>	<u>\$ 30,255</u>	<u>\$ 140,630</u>

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

TOWN OF MANCHESTER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,551	\$ -	\$ 15,551
Investments	96,239	-	96,239
Taxes receivable, net	-	-	-
Due from other funds	47,071	-	47,071
Receivable from other governments	(1,415)	-	(1,415)
Other receivables	-	-	-
Inventories	-	-	-
Prepaid expenses	-	-	-
Total assets	157,446	-	157,446
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	-	-	-
Due to other funds	-	47,071	47,071
Payable to other governments	-	-	-
Deferred revenue	-	-	-
Other accrued expenses	-	-	-
Other payables	-	-	-
Total liabilities	-	47,071	47,071
 Fund balances:			
Reserved for:			
Inventories	-	-	-
Encumbrances	-	-	-
Prepaid expenses	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unreserved	157,446	-	157,446
Unreserved, reported in non-major:			
Special revenue funds	-	(47,071)	(47,071)
Capital projects funds	-	-	-
Debt service funds	-	-	-
Permanent Endowment Fund	-	-	-
Total fund balances	157,446	(47,071)	110,375
Total liabilities and fund balances	\$ 157,446	\$ -	\$ 157,446

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.



TOWN OF MANCHESTER  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2010

Total fund balance, governmental funds	\$	110,375
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		-
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		-
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The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		
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Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		-
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Net Assets of Governmental Activities in the Statement of Net Assets	\$	<u>110,375</u>
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SEE INDEPENDENT AUDITOR'S REPORT  
 THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

TOWN OF MANCHESTER  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property Taxes	\$ -	\$ -	\$ -
Sales and miscellaneous taxes	696	72	768
Fees and fines	-	-	-
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Investment earnings	2,125	-	2,125
Miscellaneous	5,516	-	5,516
Total revenues	8,337	72	8,409
<b>EXPENDITURES</b>			
Current:			
General government	3,541	-	3,541
Public Safety	2,458	-	2,458
Public Works	-	-	-
Health and sanitation	-	-	-
Culture and recreation	-	-	-
Education	-	-	-
Street and Alley	-	47,143	47,143
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital Outlay	-	-	-
Total Expenditures	5,999	47,143	53,142
Excess (deficiency) of revenues over expenditures	2,338	(47,071)	(44,733)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term debt, net	-	-	-
Proceeds from capital leases	-	-	-
Grant Revenue	44,804	-	44,804
Other use	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	44,804	-	44,804
<b>SPECIAL ITEM</b>			
Proceeds from sale of land	-	-	-
Net change in fund balances	47,142	(47,071)	71
Fund balances - beginning	102,231	8,073	110,304
Fund balances - ending	\$ 157,446	\$ (47,071)	\$ 110,375

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

TOWN OF MANCHESTER  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO  
 THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds: \$ 71

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays \$0 exceeded depreciation \$0 in the current period. -

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. -

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. -

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. -

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:  
 Accrued interest not reflected on Governmental funds -

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Change in net assets of governmental activities \$ 71

TOWN OF MANCHESTER  
STATEMENT OF ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010

	<b>Enterprise Funds</b>	
	<b>Public Works</b>	
	<b>Authority</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 15,777	\$ 15,777
Investments	13,658	13,658
Accounts Receivable, net	960	960
Deferred charges	-	-
Due from other funds	-	-
Receivables from other governments	-	-
Other receivables	-	-
Inventories	-	-
Prepaid Expenses	-	-
Total current assets	30,395	30,395
Non-current assets:		
Capital Assets:		
Land and improvements	-	-
Infrastructure	-	-
Utility System	-	-
Construction in Progress	-	-
Buildings	-	-
Equipment and Furniture	-	-
Less Accumulated depreciation	-	-
Total non-current assets	-	-
Total assets	30,395	30,395
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	1,050	1,050
Salaries payable	-	-
Accrued interest payable	-	-
Due to other funds	(1,415)	(1,415)
Payable to other governments	-	-
Other accrued expenses	505	505
Deferred revenue	-	-
Compensated absences	-	-
Capital lease obligation	-	-
Claims and judgments	-	-
Bonds, notes and loans payable	-	-
Total current liabilities	140	140
Non-current liabilities:		
Compensated absences	-	-
Capital lease obligation	-	-
Claims and judgments	-	-
Bonds, notes and loans payable	-	-
Total non-current liabilities	-	-
Total liabilities	140	140
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	-	-
Restricted for debt service	-	-
Restricted for capital projects	-	-
Restricted for other purposes	2,178	2,178
Unrestricted	28,077	28,077
Total net assets	\$ 30,255	\$ 30,255

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

TOWN OF MANCHESTER  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<b>Enterprise Funds</b>	
	<b>Public Works</b>	
	<b>Authority</b>	<b>Total</b>
<b>REVENUES</b>		
Charges for services	\$ 54,890	\$ 54,890
Miscellaneous	-	-
Total operating revenues	54,890	54,890
<b>OPERATING EXPENSES</b>		
Personal services	16,952	16,952
Contractual services	132	132
Utilities	8,867	8,867
Repairs and maintenance	11,993	11,993
Other supplies and expenses	12,667	12,667
Insurance	6,435	6,435
Depreciation	-	-
Total Operating Expenses	57,046	57,046
Operating income (loss)	(2,156)	(2,156)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and investment revenue	314	314
Miscellaneous revenue	-	-
Operating grants and contributions	-	-
Interest expense	-	-
Miscellaneous expenses	-	-
Total non-operating revenue (expenses)	314	314
Income (loss) before contributions and transfers	(1,842)	(1,842)
Capital contributions	-	-
Transfers in	-	-
Transfers out	-	-
Special item - gain (loss) on sale of land	-	-
Change in net assets	(1,842)	(1,842)
Total net assets - beginning	32,097	32,097
Total net assets - ending	\$ 30,255	\$ 30,255

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

TOWN OF MANCHESTER  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

		<u>Public Works Authority</u>
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers & Service Users	\$	55,850
Cash Payments for Goods & Services & Employees		<u>55,571</u>
<b>Net Cash Provided by Operating Activities</b>		<u>279</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Operating Transfers In/(Out) to Other Funds		<u>-</u>
<b>Net Cash Provided (Used) for Noncapital Financing Activities</b>		-
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of Fixed Assets		-
Miscellaneous Rents		-
Grants		<u>-</u>
<b>Net Cash Provided (Used) for Capital and Related Financing Activities</b>		-
<b>Cash Flows from Investing Activities:</b>		
Interest Income		314
Patronage Dividend		<u>-</u>
<b>Net Cash Provided by investing Activities</b>		314
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>		593
<b>Cash and Cash Equivalents - Beginning of Year</b>		<u>28,842</u>
<b>Cash and Cash Equivalents - End of Year</b>	\$	<u><u>29,435</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	\$	(2,156)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>		
Depreciation		-
Change in Assets and Liabilities:		
Increase (Decrease) in Meter Deposits		425
(Increase) Decrease in Accounts Receivable		(960)
(Increase) Decrease in Due to Other Funds		1,415
Increase (Decrease) in Accounts Payable		<u>1,555</u>
<b>Total Adjustments</b>		<u>2,435</u>
<b>Net Cash Provided by Operating Activities</b>	\$	<u><u>279</u></u>

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**

The Town of Manchester, Oklahoma (the Town) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

**A. Reporting Entity**

The Town of Manchester, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a town council. As required by generally accepted accounting principles, these financial statements present the activities of the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government. The Town provides the following services as authorized by its charter: general government, public safety (fire), streets, and public works (water, sewer, and refuse).

Blended Component Units:

The Manchester Public Works Authority (the Authority) was created to finance, operate, construct and administer any public works, improvements or facilities for the benefit of the Town of Manchester, Oklahoma. The Authority operates the water, sanitation, and sewer services for the Town of Manchester. The authority is exempt from State and Federal income taxes. The Authority is reported as an enterprise fund.

TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES -- CONTINUED**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

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

**Government-Wide Financial Statements** – The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

**Fund Financial Statements** – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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



TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued

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

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

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

The following is the Town's major governmental fund:

General Fund – is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Other governmental funds of the Town that are considered non-major funds include:

Special Revenue Funds - account for revenue sources that are legally restricted to expenditures for specific purposes (not including capital projects). The following is the Town's Special Revenue Fund: Street and Alley.

**Proprietary Funds** – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the Town has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise funds.

TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued**

**Enterprise Funds** – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The Manchester Public Works Authority is accounted for as an enterprise fund. The following are the Town's major enterprise funds:

Manchester Public Works Authority – accounts for the operations of providing public works (water, sewer and sanitation) to the Town.

There are no enterprise funds of the Town that are considered a non-major funds.

**C. Assets, Liabilities and Equity**

1. Deposits and Investments

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

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

2. Restricted Cash and Investments

There are no restricted funds in the governmental funds.

Restricted cash and investments of the enterprise funds consists of customer meter deposits.

3. Fair Value of Financial Instruments

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

TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**C. Assets, Liabilities and Equity -- Continued**

4. Estimates

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

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from other/due to other funds”.

6. Inventories

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

7. Capital Assets and Infrastructure

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. No capital assets have been recorded in the financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town does not maintain a capitalization threshold. The Town’s infrastructure consists of roads, bridges, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the Town.

8. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period. All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**C. Assets, Liabilities and Equity -- Continued**

11. Net Assets

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation. The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

In the fund financial statement, governmental funds report reservations of fund balances that are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditure. Designations of fund balances are not required by law but represent the classification or funds that are earmarked by the Town's management for specific purposes and may be subject to change.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**3. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

**B. Restricted Cash and Investments**

Other restricted cash includes \$2,178 in cash held for meter deposits.

**C. Uncollectible Accounts**

Accounts receivable in the financial statements are reflected net of allowances. The Town's estimates of uncollectible accounts receivable is based on a review of past due listing by management. At June 30, 2010, the estimated uncollectible amounts from utility customers was zero.

TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

**3. DETAILED NOTES CONCERNING THE FUNDS – CONTINUED**

**E. Prepaid Expense**

At June 30, 2010, the Town had no prepaid insurance.

**F. Inter-fund Receivables and Payables**

At year-end, there were \$45,728 inter-fund receivables or payables.

**G. Long-term Debt**

The Town had no debt at June 30, 2010.

**4. OTHER INFORMATION**

**A. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The Town purchases commercial insurance for protection against loss other than health, life, and workers compensation. Settled claims have not exceeded the commercial coverage during the past three fiscal years.

The Town provides workers' compensation through CompSource Oklahoma.

**B. Contingent Liabilities**

At times the Town is a defendant in legal actions arising from normal governmental activities. Although most of such actions are covered by insurance, certain actions might have some degree of exposure to the Town. The outcome of these lawsuits is not presently determinable, and it is not known if the resolution of these matters will have a material adverse effect on the financial condition of the Town. The Town's potential liability in the litigation is limited by the Governmental Tort Claims Act.

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

TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

**4. OTHER INFORMATION – CONTINUED**

**C. Employee Retirement Plans**

Firefighters' Pension Plan

All full-time or volunteer firefighters hired before age 45 are covered by a statewide cost-sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan the Town contributes \$60 for each volunteer fireman. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma Town, OK 73105-3414, or by calling 1-800-525-7461.

The required contribution from the Town for this plan was \$780 for 2010. The required contribution was fully contributed. At June 30, 2010, the system held no related-party investments of the Town or of its related entities.

TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

SUPPLEMENTAL INFORMATION  
JUNE 30, 2010

TOWN OF MANCHESTER  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2010

	<u>Street and Alley</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ -
Investments	-	-
Taxes receivable, net	-	-
Due from other funds	-	-
Receivable from other governments	-	-
Other receivables	-	-
Inventories	-	-
Prepaid expenses	-	-
Total assets	-	-
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	-	-
Due to other funds	47,071	47,071
Payable to other governments	-	-
Deferred revenue	-	-
Other accrued expenses	-	-
Other payables	-	-
Total liabilities	47,071	47,071
 Fund balances:		
Reserved for:		
Inventories	-	-
Encumbrances	-	-
Prepaid expenses	-	-
Debt service	-	-
Other purposes	-	-
Unreserved	(47,071)	(47,071)
Total fund balances	(47,071)	(47,071)
Total liabilities and fund balances	\$ -	\$ -



TOWN OF MANCHESTER  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Street and Alley</u>	<u>Total-Other Governmental Funds</u>
<b>REVENUES</b>		
Property Taxes	\$ -	\$ -
Sales and miscellaneous taxes	72	72
Fees and fines	-	-
Licenses and permits	-	-
Intergovernmental	-	-
Charges for services	-	-
Investment earnings	-	-
Miscellaneous	-	-
Total revenues	72	72
<b>EXPENDITURES</b>		
Current:		
General government	-	-
Public Safety	-	-
Highways and roads	-	-
Health and sanitation	-	-
Culture and recreation	-	-
Education	-	-
Street Repair	47,143	47,143
Debt Service		
Principal	-	-
Interest and other charges	-	-
Capital Outlay	-	-
Total Expenditures	47,143	47,143
Excess (deficiency) of revenues over expenditures	(47,071)	(47,071)
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from long-term debt, net	-	-
Proceeds from capital leases	-	-
Other source	-	-
Other use	-	-
Transfers in	-	-
Transfers out	-	-
Total other financing sources and uses	-	-
<b>SPECIAL ITEM</b>		
Proceeds from sale of land	-	-
Net change in fund balances	(47,071)	(47,071)
Fund balances - beginning	8,073	-
Fund balances - ending	\$ (47,071)	\$ (47,071)

TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
<b>REAP Grants</b>			
NODA Street Repair	\$ 44,804	\$ 44,804	\$ 44,804

NOTE A – BASIS OF PRESENTATION

This schedule includes the federal grant activity of the Town of Manchester and is presented on the cash basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of the basic financial statements.

NOTE B – PRESENTATION

This schedule is incomplete since the formal grant title and number has been omitted

TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

REPORT REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*  
JUNE 30, 2010

**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

The Board of Town Council  
Town of Manchester  
Manchester, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Manchester, State of Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise Town of Manchester, State of Oklahoma's basic financial statements and have issued my report thereon dated June 17, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control over financial report that I consider to be material weakness and other deficiencies that I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of notes and questioned costs to be a material weakness. 2010-01

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. 2010-02, 2010-05

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Manchester, State of Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. I consider 2010-03; 2010-04 to be deficiencies in compliance.

Town of Manchester, State of Oklahoma's response to the findings identified in my audit is described in the accompanying schedule of findings. I did not audit Town of Manchester, State of Oklahoma's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Town Council, others within the entity, 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.



Linda S Woodruff CPA, PC  
June 17, 2013

TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

SCHEDULE OF FINDINGS & QUESTION COSTS

2010-01 Internal Control

Condition: An adequate internal control structure does not exist because of the small size of the entity nor is there adequate segregation of duties.

Criteria: Internal controls should be in place that provide reasonable assurance that any one individual does not have control over several of the financial functions of the Town.

Effect: Because of the inadequate segregation of duties, an opportunity exists for an employee to alter record keeping.

Recommendation: I recommend that the Town strive to implement more segregation of duties where possible and utilize compensating procedures where applicable.

Response: Management agrees with the recommendation, but economic cost could exceed the benefit.

2010-02 Internal Control

Condition: Fire department expenses for pension, fuel, and pagers are being paid through the general fund without revenue from sales tax being received.

Criteria: All revenue streams should flow through the Town's general fund to offset the expenses of the department.

Effect: Sales tax revenue and grant revenue are being received by using the Town as the applicant, but no reimbursement or transfers are made to pay for expenses of the department which results in a lack of accountability.

Recommendation: All activity, whether revenue or expense, should be recorded in the general fund of the Town. The fire department is part of the Town and must report to the Town Board.

Response: The Town concurs with the recommendation and will begin accounting for the fire department activity.

2010-03 Compliance

Condition: Payroll reports were not timely filed to the governmental agencies.

Criteria: Compliance with payroll regulations should be reviewed on a quarterly basis to ensure report is accurate and timely.

Effect: When payroll reports are not in compliance, at least a 10% penalty can and usually will be assessed.

Recommendation: Maintain a calendar noting due dates of returns to ensure timely filing. If personnel is unable to prepare the report, an outside consultant should be hired to monitor the filing requirements.

Response: The past reports have been completed and filed for all periods and will be timely filed by the Town Clerk in the future.

TOWN OF MANCHESTER  
MANCHESTER, OKLAHOMA

SCHEDULE OF FINDINGS & QUESTION COSTS

2010-04 Compliance

Condition: Oklahoma requires that each town prepare a budget prior to the end of the fiscal year.

Criteria: A budget is a useful resource for measuring financial performance of the Town.

Effect: Without a budget, no comparison can be made for expected financial results and actual performance. This is in addition to being out of compliance with state statutes.

Recommendation: The Town should prepare a budget and approve it at least ten (10) days prior to the end of the fiscal year.

Response: The Town concurs and will prepare and approve a budget on an annual basis beginning in 2013.

2010-05 Internal Control

Condition: Cash receipts and disbursements are recorded using QuickBooks and only the Public Works Authority bank account. The Town has accounts for the general fund, but are not utilizing on a regular basis.

Criteria: Separation of accounts allows easier categorization of revenue and expense.

Effect: Co-mingling of funds (general, street/alley, and public works) can create a misstatement of revenue and expense as well as financial statement distortion.

Recommendation: Maintain a separate account for general revenue and expense including fire, park, and town clerk expense. The Public Works account should be used for utility revenue and expense. Motor vehicle tax, gas excise tax, grants for street repairs, and expense for street maintenance should be recorded in the account earmarked as street and alley.

Response: The Town concurs and will use existing accounts or open new accounts for specific funds.