

**TOWN OF PORTER, OKLAHOMA**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2011**

Town of Porter, Oklahoma  
Report on Audit of Financial Statements  
June 30, 2011

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Town of Porter, Oklahoma  
Report on Audit of Financial Statements  
June 30, 2011

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**TOWN OF PORTER, OKLAHOMA**

**TOWN OFFICIALS**

JUNE 30, 2011

**BOARD OF TRUSTEES**

TOMMY COBB  
BRIAN KILGORE  
RICHARD KECK  
JOEY HATFIELD  
STEVEN T. RUSH

MAYOR  
VICE-MAYOR  
COUNCIL MEMBER  
COUNCIL MEMBER  
COUNCIL MEMBER

**TOWN CLERK**

SHIRLEY HERRING

**TOWN TREASURER**

JOY HENDRIX

**SAMUEL S ALEXANDER**  
**Certified Public Accountant**

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Town of Porter  
Porter, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, major funds and remaining fund information, which collectively comprise the basic financial statements of the Town of Porter, Oklahoma as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Town of Porter's management. My responsibility is to express an opinion on these financial statements based on my audits.

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 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.

As discussed in Note 1 to the financial statements, management has not recorded capital assets, including general infrastructure assets, in the governmental activities and, accordingly has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including general infrastructure assets, be capitalized and depreciated, which would increase the assets, net assets and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets and expenses of the governmental activities is not reasonably determinable.

In my opinion, because of the effects of the matter discussed in the preceding paragraph, the governmental activities financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Porter, Oklahoma, as of June 30, 2011, and the changes in financial position thereof for the year then ended.

Independent Auditor's Report (continued)

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the Town of Porter, Oklahoma as of June 30, 2011, 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.

The Town of Porter, Oklahoma has not presented the Management's Discussion and Analysis. Management's Discussion and Analysis is not a required part of the basic financial statements, but supplementary information required by the Governmental Accounting Standards Board (GASB).

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The major fund budgetary comparison information, combining financial statements and supporting schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Porter, Oklahoma. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 12, 2010, on my consideration of the Town of Porter, Oklahoma's internal control over financial reporting and my tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in blue ink, appearing to read "J. C. [unclear] CPA".

October 11, 2011  
Wagoner, Oklahoma

TOWN OF PORTER, OKLAHOMA  
**STATEMENT OF NET ASSETS**  
June 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 182,826	147,428	330,254
Accounts receivable	10,536	32,531	43,067
Prepaid expense	-	900	900
Total current assets	193,362	180,859	374,221
Noncurrent assets:			
Capital assets:			
Land	-	12,798	12,798
Plant in service	-	1,748,251	1,748,251
Less: Accumulated Depreciation	-	(1,212,334)	(1,212,334)
Total capital assets	-	548,715	548,715
Total assets	193,362	729,574	922,936
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	14,096	33,561	47,657
Accrued salaries	-	1,443	1,443
Vacation payable	-	4,884	4,884
Deferred income, other accruals	-	3,980	3,980
Total current liabilities	14,096	43,868	57,964
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	548,715	548,715
Unrestricted	179,266	136,991	316,257
Total net assets	\$ 179,266	685,706	864,972

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

**TOWN OF PORTER, OKLAHOMA**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the fiscal year ended June 30, 2011

	Net (Expenses) Revenues and Changes in Net Assets						
	Program Revenues		Primary Government				
	<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>Totals</u>
<b>Functions/programs:</b>							
<b>Governmental Activities:</b>							
General government	\$ 66,616	2,035	-	-	(64,581)	-	(64,581)
Public safety	130,420	72,254	-	-	(58,166)	-	(58,166)
Streets	6,149	-	-	-	(6,149)	-	(6,149)
Cemetery		1,587	-	-	1,587	-	1,587
Total governmental activities	<u>203,185</u>	<u>75,876</u>	<u>-</u>	<u>-</u>	<u>(127,309)</u>	<u>-</u>	<u>(127,309)</u>
<b>Business-type activities</b>							
Water, sewer and trash	446,217	448,084	-	-	-	1,867	1,867
Totals	<u>\$649,402</u>	<u>523,960</u>	<u>0</u>	<u>-</u>	<u>(127,309)</u>	<u>1,867</u>	<u>(125,442)</u>
<b>General revenues</b>							
Sales taxes					104,046	-	104,046
Other taxes					27,469	-	27,469
Unrestricted interest earnings					1,125	557	1,682
Miscellaneous, including grants					17,815	20,331	38,146
Total general revenues					<u>150,455</u>	<u>20,888</u>	<u>171,343</u>
Change in net assets					23,146	22,755	45,901
Net Assets, beginning of year					156,120	662,951	819,071
Net Assets, end of year					<u>179,266</u>	<u>685,706</u>	<u>864,972</u>

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

**TOWN OF PORTER, OKLAHOMA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 76,717	106,109	182,826
Accounts receivable	10,536		10,536
Total assets	\$ 87,253	106,109	193,362
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 14,096	-	14,096
Fund balances:			
Unreserved:			
Undesignated, reported in:			
General fund	73,157	-	73,157
Special revenue funds	-	105,359	105,359
Debt service fund	-	750	750
Total fund balances	73,157	106,109	179,266
Total liabilities and fund balances	\$ 87,253	106,109	

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 as assets in governmental funds.

Capital outlay expenditures	-
Accumulated depreciation	-

*Note: The Town of Porter does not maintain a record of the Town's capital outlay and does not record depreciation of the Town's fixed assets.*

Net assets of governmental activities	\$ 179,266
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The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
 For the fiscal year ended June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Sales taxes	\$ 91,047	12,999	104,046
Other taxes	21,796	5,673	27,469
Fees and fines	71,429	825	72,254
Charges for services	2,035	-	2,035
Grants	-	-	-
Interest	1,125	-	1,125
Donations	400	4,055	4,455
Insurance proceeds	1,929	-	1,929
Miscellaneous	11,431	1,587	13,018
Total revenues	<u>201,192</u>	<u>25,139</u>	<u>226,331</u>
Expenditures:			
General government	66,129	487	66,616
Public safety	130,420	-	130,420
Streets & lights	-	6,149	6,149
Total expenditures	<u>196,549</u>	<u>6,636</u>	<u>203,185</u>
Excess of revenues over (under) expenditures	4,643	18,503	23,146
Fund balances - beginning	<u>68,514</u>	<u>87,606</u>	<u>156,120</u>
Fund balances - ending	<u>\$ 73,157</u>	<u>106,109</u>	<u>179,266</u>

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

TOWN OF PORTER, OKLAHOMA  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES**  
**GOVERNMENTAL FUNDS (CONTINUED)**  
 For the fiscal year ended June 30, 2011

Reconciliation of the change in fund balances: total governmental funds to the change in net assets of the governmental activities:

Net change in fund balances - governmental funds	\$ 179,266
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Amounts reported for governmental activities in 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	-
Depreciation	-

*Note: The Town of Porter does not maintain a record of the Town's capital outlay and does not record depreciation of the Town's fixed assets.*

Change in net assets of governmental activities	<u>\$ 179,266</u>
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The accompanying notes are an integral part of these financial statements

TOWN OF PORTER, OKLAHOMA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2011

	ASSETS	Porter Public Works Authority
Current assets		
Cash and cash equivalents		\$ 147,428
Accounts receivable		32,531
Prepaid expense		900
Total current assets		<u>180,859</u>
Proper, plant & equipment		
Land		12,798
Plant in service		1,748,251
Total property, plant & equipment		1,761,049
Less: Accumulated depreciation		<u>(1,212,334)</u>
Net property, plant & equipment		<u>548,715</u>
Total assets		<u>729,574</u>
	LIABILITIES AND FUND EQUITY	
Current liabilities		
Accounts payable		33,561
Accrued salaries		1,443
Vacation payable		4,884
Deferred income, other accruals		3,980
Total current liabilities		<u>43,868</u>
	NET ASSETS	
Invested in capital assets, net of related debt		548,715
Unrestricted		136,991
Total net assets		<u>\$ 685,706</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF PORTER, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
PROPRIETARY FUND  
For the fiscal year ended June 30, 2011

	Porter Public Works Authority
Operating revenues	
Garbage, sewer and water sales	\$ 441,785
Charge for taps	4,400
Miscellaneous	331
Total operating revenues	446,516
Operating expenses	
Compensation	115,833
Workers' compensation insurance	4,226
Materials and supplies	17,604
Telephone and utilities	225,051
Legal and accounting	3,290
Miscellaneous	9,028
Equipment operation and maintenance	13,488
Insurance	7,799
Depreciation	46,112
Postage	3,437
Bad checks written off	349
Total operating expenses	446,217
Operating income (loss)	299
Non-operating revenues (expenses)	
Interest income	557
REAP Grant	20,000
Total non-operating revenues (expenses)	20,557
Income before operating transfers	20,856
Operating transfers in (out) - Meter Deposit fund	1,899
Net income	22,755
Net assets - beginning of year	662,951
Net assets - end of year	\$ 685,706

The accompanying notes are an integral part of the financial statements.

TOWN OF PORTER, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the fiscal year ended June 30, 2011

	Public Works Authority
Cash flows from operating activities	
Receipts from customers	\$ 460,887
Payments to employees	(115,704)
Payments to suppliers	(269,927)
	75,256
Cash flows from noncapital financing activities	
REAP Grant	20,000
Transfer (to) from other funds	1,899
	21,899
Cash flows from capital and related financing activities	
Purchase equipment	(24,350)
	(24,350)
Cash flows from investing activities	
Interest received	557
	73,362
Net cash and cash equivalents - beginning of year	74,066
	147,428
Net cash and cash equivalents - end of year	\$ 147,428

The accompanying notes are an integral part of the financial statements.

TOWN OF PORTER, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND (CONTINUED)  
For the fiscal year ended June 30, 2011

	Porter Public Works Authority
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ 299
Adjustments to reconcile net income to net cash provided by operating activities - Depreciation	46,112
(Increase) decrease in	
Accounts receivable	14,371
Prepaid expense	1,329
Increase (decrease) in	
Accounts payable	9,320
Accrued salaries payable	274
Accrued vacation payable	(145)
Deferred income, other accruals	3,696
Net cash provided by operations	\$ 75,256

The accompanying notes are an integral part of the financial statements.

TOWN OF PORTER, OKLAHOMA  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2011

ASSETS

	Agency Funds
Cash and cash equivalents	\$ 25,887
Total assets	\$ 25,887

LIABILITIES

Liabilities	
Fund balance	
Reserved for:	
Meter deposits	\$ 23,543
Court bonds	2,344
Total liabilities	\$ 25,887

The accompanying notes are an integral part of the financial statements.

TOWN OF PORTER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Porter (the “Town”) comply with generally accepted accounting principles (GAAP) with regard to business-type activities but does not comply with GAAP with regard to governmental activities as discussed in Note 1 D. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, except for the omission described in Note 1 D., unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and framework and the more significant accounting policies are discussed in subsequent subsections of the Note.

A. REPORTING ENTITY

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Town’s reporting entity.

Included with the reporting entity:

The Porter Public Works Authority (the “Authority”) is a public trust created under applicable Oklahoma statutes. The Town is beneficiary of the trust. The Authority operates and maintains the water and sewer system. The Authority’s governing board and trustees are the same as the Town’s governing body. Transactions of the Authority are included in these financial statements as the enterprise fund.

TOWN OF PORTER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

**B. BASIS OF PRESENTATION**

**Government-wide Financial Statements**

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

**General Fund**

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

TOWN OF PORTER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

B. BASIS OF PRESENTATION

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

**Capital Project Fund**

The Town has no capital project funds.

**Debt Service Fund**

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the Town other than debt service payments made by the enterprise funds. In the prior year, a general long-term debt of the Town was paid in full.

**Proprietary Fund**

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurements similar to the private sector. The reporting entity includes the Porter Public Works Authority.

**Fiduciary Funds (Not included in government-wide statements)**

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes two agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

Meter Deposit Fund

Court Bond Fund

TOWN OF PORTER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

B. BASIS OF PRESENTATION

**Major and Non-major Funds**

The funds are further classified as major or non-major as follows:

**Major Funds:**

General

**Brief Description**

See above for description.

Proprietary Fund

Porter Public Works Authority

See above for description.

**Non-major Funds:**

Special Revenue Funds:

Street & Alley

Accounts for revenues & expenditures for streets.

Cemetery Care

Accounts for revenues & expenditures for cemetery care.

Cemetery Land Purchase

Accounts for revenues & expenditures for cemetery capital improvements.

Debt Service Fund

See above for description.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in items below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

TOWN OF PORTER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objective of this measurement focus is the determination of operating income, changes in net assets (or recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both the governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. Revenues, expenses, gains, losses, assets, liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic assets used.

D. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Investments – For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposit of the Town. Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2.

Inter-fund Receivables and Payables – There were no inter-fund receivables or payables.

Receivables – In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. All accounts receivable are considered collectable at year end. Major receivable balances for the governmental activities include sales taxes, grants and contracts. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, grants and contracts and other similar intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days, since they would be considered both measurable and available.

TOWN OF PORTER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON’T)

D. ASSETS, LIABILITIES AND FUND EQUITY

Inventories – The value of consumable inventories at June 30, 2011 is not material to the financial statements. Purchases of inventory items are considered expenditures at the time of purchase.

Fixed Assets – The accounting treatment over property, plant and equipment (fixed 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, fixed assets are accounted for as capital assets for the proprietary fund. The Town does not maintain a record of the capital assets or infrastructure assets for governmental funds and, accordingly does not record depreciation expense on those assets. All fixed assets of the enterprise fund are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to report the majority of the buildings and infrastructures. Historical cost was used to report land, furniture and equipment.

Depreciation of all exhaustible fixed 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. The range of estimated useful lives by type of asset is as follows:

Utility system	10 - 40 years
Machinery and Equipment	5 – 15 years
Vehicles	5 years

In the government-wide financial statements, all machinery, equipment, furniture and automobiles costing \$ 500 or more have been capitalized and depreciated over the estimated useful life. Repairs, remodeling and construction costing \$ 1,500 or more have been capitalized and depreciated over the estimated useful life.

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets in the proprietary fund operations are accounted for the same as in the governmental-wide statements.

TOWN OF PORTER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

D. ASSETS, LIABILITIES AND FUND EQUITY

The accounting treatment for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Compensated Absences – The Town’s policies regarding vacation time permits employees to accumulate earned but unused vacation leave. The liability for these compensated absences is considered and recorded as short-term debt in the government-wide statements. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

*Government-wide Statements*

Equity is classified as net assets and 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 attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use whether by (1) external groups such as creditors, grantors, contributors, or laws or 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.”

*Fund Financial Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax Revenues – The Town presently levies a four-cent sales tax on taxable sales within the Town. Three and one half cents of the sales tax is recorded in the General Fund and one half cent is recorded in the Street and Alley Fund.

TOWN OF PORTER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

E. REVENUES, EXPENDITURES AND EXPENSES

Operating Revenues and Expenses – Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses – In the government-wide financial statements, expenses are classified by function of governmental activities.

In the fund financial statements, governmental funds report expenditures of financial resources. Those expenditures are classified as follows:

Governmental Funds – by Character: Current (further classified by function)  
Debt service  
Capital Outlay

NOTE 2 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. CASH AND INVESTMENTS

The Town's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost, which approximates market value.

Cash – The Town's cash deposits at June 30, 2011, are categorized to give an indication of the level of risk assumed by the Town at year end.

Investments – The Town's investments consist of certificates of deposit and direct obligations of the United States Government at June 30, 2010, and are categorized to give an indication of the level of risk assumed by the Town at year end.

Deposit Categories of Credit Risk

(A) Insured or collateralized with securities held by the Town or by its agent in the Town's name.

TOWN OF PORTER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

A. CASH AND INVESTMENTS

(B) Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

(C) Uncollateralized.

	Category			Bank Balance	Carrying Amount	Market Value
	(A)	(B)	(C)			
Cash and cash equivalents	\$ 330,254	-	-	331,739	330,254	330,254
	-		-			
<b>Totals</b>	<b>\$ 330,254</b>	<b>-</b>	<b>-</b>	<b>331,739</b>	<b>330,254</b>	<b>330,254</b>

Reconciliation to Government-wide Statement of Net Assets:

Unrestricted cash, including time deposits	\$ 330,254
Restricted cash, including time deposits	
Agency fund cash, including time deposits (not included in government-wide statement)	25,887
Total cash and investments	<u>\$ 356,141</u>

NOTE 2 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CON'T)

B. RECEIVABLES

Receivables consist of governmental and business-type activities. Receivables detailed at June 30, 2011 were as follows:

	Total
Water, sewer and trash utilities	\$ 32,531
Taxes	10,536
Net accounts receivable	<u>\$ 43,067</u>

TOWN OF PORTER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 2 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CON'T)

C. INVENTORIES

The value of consumable inventories at June 30, 2011 is not material to the financial statements. Purchases for inventory items are considered expenditures at the time the items were encumbered.

D. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Business-type activities:				
Land	\$ 12,798	-	-	12,798
Plant and equipment	1,723,901	24,350	-	1,748,251
Totals at historical cost	<u>1,736,699</u>	<u>24,350</u>	<u>-</u>	<u>1,761,049</u>
Less: Accumulated depreciation				-
Plant and equipment	(1,166,222)	(46,112)	-	(1,212,334)
Business-type activities capital assets, net	<u>\$ 570,477</u>	<u>(21,762)</u>	<u>-</u>	<u>548,715</u>

E. ACCOUNTS PAYABLE

Accounts payable in the general fund, non-major governmental funds and the Public Works Authority are composed of payables to vendors, accrued salaries and compensated absences.

Inter-fund Receivables and Payables – There were no inter-fund receivables or payables at June 30, 2011.

F. CAPITAL LEASES

The Town had no capital leases at June 30, 2011.

G. INTER-FUND TRANSACATIONS:

Inter-fund transfers are reported as operating transfers.

TOWN OF PORTER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 3 – OTHER NOTES

A. USE OF ESTIMATES

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

B. LEGAL COMPLIANCE – BUDGETS

The proposed budget is presented to the Town's council for review. The Town's council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Town's management or the revenue estimates must be changed by an affirmative vote of a majority of the Town's council. During the year, supplemental appropriations were necessary.

Expenditures may not legally exceed budgeted appropriations at the activity level.

C. OTHER POST EMPLOYMENT BENEFITS

The Town does not offer any early retirement incentive plans.

D. EMPLOYEE RETIREMENT SYSTEM

The Town does not offer any retirement plan.

E. RISK MANAGEMENT

The Town participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the Town reports the required contribution to the pool, net of refunds, as insurance expense.

F. CONTINGENT LIABILITIES

According to management and legal counsel, there were no known contingent liabilities at June 30, 2011 that would have a material effect on the financial statements.

TOWN OF PORTER, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET VS. ACTUAL COMPARISON  
GENERAL FUND

For the fiscal year ended June 30, 2011

Revenue	Budgeted		Actual	Variance with Final Budget Pos (Neg)
	Original	Final		
Sales tax	\$ 90,000	90,000	91,047	1,047
Utility franchise tax	13,200	13,200	13,496	296
Alcoholic beverage tax	4,500	4,500	4,806	306
Use tax	16,200	16,200	16,990	790
Fines & forfeits	28,500	28,500	57,933	29,433
Charges for services	1,200	1,200	2,035	835
Surplus property sales	1,000	1,000	-	(1,000)
Police Department donations	600	600	-	(600)
Interest	1,400	1,400	1,125	(275)
Insurance proceeds	2,000	2,000	1,929	(71)
Donations	-	-	400	400
Miscellaneous	8,500	8,500	11,431	2,931
Total Revenues	<u>167,100</u>	<u>167,100</u>	<u>201,192</u>	<u>34,092</u>
Expenditures				
General government	84,205	84,205	66,129	18,076
Police and fire department	138,700	138,700	130,420	8,280
Total Expenditures	<u>222,905</u>	<u>222,905</u>	<u>196,549</u>	<u>26,356</u>
Excess of revenues over (under) expenditures	(55,805)	(55,805)	4,643	60,448
Carryover - prior years	<u>55,805</u>	<u>55,805</u>	<u>-</u>	<u>(55,805)</u>
	<u>\$ -</u>	<u>-</u>	<u>4,643</u>	<u>4,643</u>

TOWN OF PORTER, OKLAHOMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2011

ASSETS	Street & Alley	Cemetery	Cemetery Land Purchase	Sinking Fund	Nonmajor Governmental Funds
Cash and cash equivalents	\$ 75,191	14,290	15,878	750	106,109
 LIABILITIES AND FUND BALANCE					
Liabilities	\$ -	-	-	-	-
Fund balances					
Unreserved					
Designated for Debt Service	-	-	-	750	750
Undesignated	75,191	14,290	15,878	-	105,359
Total fund balances	75,191	14,290	15,878	750	106,109
Total liabilities and fund balances	\$ 75,191	14,290	15,878	750	106,109

TOWN OF PORTER, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended June 30, 2011

	Street & Alley	Special Cemetery	Revenue Cemetery Land Purchase	Debt Service Sinking Fund	Total Nonmajor Governmental Funds
Revenues					
Sales tax	\$ 12,999	-	-	-	12,999
Vehicle licenses	4,106	-	-	-	4,106
Gasoline excise	1,567	-	-	-	1,567
Miscellaneous	-	825	-	-	825
Lot sales and interments	-	-	1,587	-	1,587
Donations	-	4,055	-	-	4,055
Total Revenues	<u>18,672</u>	<u>4,880</u>	<u>1,587</u>	<u>-</u>	<u>25,139</u>
Expenditures					
General government					
Personal services	-	487	-	-	487
Streets	6,149	-	-	-	6,149
Maintenance & operations	-	-	-	-	-
Total Expenditures	<u>6,149</u>	<u>487</u>	<u>-</u>	<u>-</u>	<u>6,636</u>
Excess of revenues over (under) expenditures	12,523	4,393	1,587	-	18,503
Fund balances - beginning	<u>62,668</u>	<u>9,897</u>	<u>14,291</u>	<u>750</u>	<u>87,606</u>
Fund balances - ending	<u>\$ 75,191</u>	<u>14,290</u>	<u>15,878</u>	<u>750</u>	<u>106,109</u>

SAMUEL S. ALEXANDER

**Certified Public Accountant**

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

The Board of Trustees  
Town of Porter  
Porter, Oklahoma

I have audited the financial statements of the Town of Porter, Oklahoma, as of and for the year ended June 30, 2011, and have issued my report thereon dated October 11, 2011, which was qualified with regard to governmental activities because of the omission of the capital assets, including infrastructure assets, and related depreciation required by accounting principles generally accepted in the United States of America. Also, my report was unqualified with regard to the business-type activities. I conducted my audits 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Porter's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Porter's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town of Porter, Oklahoma's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. My audit disclosed that the Town has only two employees directly involved in the initiation and recording of financial transactions. This precludes the adequate separation of duties necessary to affect all desirable controls.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Board of Trustee and management and is not intended to be and should not be used by any one other than these specified parties.

A handwritten signature in blue ink, appearing to read "James L. O'Connell CPA". The signature is written in a cursive style with a large initial "J" and "L".

October 11, 2011  
Wagoner, Oklahoma