

**TOWN OF RED OAK, OKLAHOMA**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**AND**  
**SUPPLEMENTAL DATA FOR THE**  
**TWELVE MONTHS ENDED JUNE 30, 2014**

**CYNTHIA L WARREN CPA, P.C.**

**Eufaula, Oklahoma 74432**

**TOWN OF RED OAK  
RED OAK, OKLAHOMA  
JUNE 30, 2014**

**Table of Contents**

***FINANCIAL SECTION:***

Independent Auditor's Report	3
Management's Discussion and Analysis	5
Basic Financial Statements:	
Exhibit A - Statement of Net Position	10
Exhibit B - Statement of Activities	11
Exhibit C - Balance Sheet - Governmental Funds	13
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Exhibit E - Statement of Net Position - Proprietary Funds	15
Exhibit F - Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	16
Exhibit G - Statement of Cash Flows - Proprietary Funds	17
Notes to the Financial Statements	19

***REQUIRED SUPPLEMENTARY INFORMATION:***

Schedule 1 - Budgetary Comparison, General Fund	28
Schedule 2 - Budgetary Comparison, Street & Alley	29
Schedule 2 – Budgetary Comparison, Fire	29

***INTERNAL CONTROL & COMPLIANCE SECTION:***

Independent Auditor's Report on the Internal Control over Financial Reporting And Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	30
Schedule of Findings	32
Schedule of Responses and Corrective Actions	32

CYNTHIA L WARREN CPA, P.C.

=====

P.O. Box 189  
Eufaula, OK 74432

(918) 452-2116  
Fax (918) 452-3509

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Town of Red Oak  
Red Oak, Oklahoma

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major funds of the Town of Red Oak as of and for the year ended June 30, 2014, which collectively comprise the Town's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Red Oak as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 5 through 9 and the Budgetary Comparison on page 28 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

### **Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued a report dated December 31, 2015 on my consideration of the Town of Red Oak's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance.

*Cynthia L Warren CPA, P.C.*

Cynthia L Warren CPA, P.C.  
Eufaula, Oklahoma  
December 31, 2015

*Town of Red Oak*  
*Red Oak, Oklahoma 74333*

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

The following discussion and analysis of the Town of Red Oak's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2014. The information contained in this MD&A should be considered in conjunction with the accompanying basic financial statements.

***Financial Highlights***

The assets of the Town of Red Oak exceeded its liabilities at the close of the fiscal year ending June 30, 2014 by \$1,275,071. Of this amount, \$280,143 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The Town of Red Oak's net position decreased by \$56,894 which can be attributed to a decrease in assets of \$78,040 and a decrease in liabilities of \$21,146.

The Town of Red Oak's total long-term debt decreased by \$20,558 during the current fiscal year.

Revenues of the Town decreased \$2,451 and expenses increased \$3,270 for a net decrease in change in net position of \$5,721.

***Overview of the Financial Statements***

This discussion and analysis serves as an introduction to the Town of Red Oak's basic financial statements. The Town of Red Oak's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements. The basic statements provide readers with a broad overview of the Town's finances. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

***Government-wide financial statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Red Oak's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the Town of Red Oak's assets and liabilities, with the differences between the two reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Town of Red Oak is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds' current financial resources with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration such as economic factors. The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting and economic resources measurement focus.

***Fund Financial Statements***

Fund financial statements focus separately on governmental funds and proprietary funds. Governmental fund statements report only current financial resources on the modified accrual basis of accounting. As a result, capital assets and long-term debt are not reported in government fund financial statements. Proprietary fund financial statements are presented, similar to the government-wide financial statements, on the economic resources measurement focus and accrual basis of accounting, and include all assets and liabilities. The Town's major funds are presented in their own column and the remaining funds are combined into a single column.

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

*Notes to the Financial Statements*

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

*Supplementary Information*

As required by generally accepted accounting principles, a budgetary comparison is presented for the general fund which is the only major governmental fund for which a budget is legally adopted.

***Town as a Whole***

*Government-wide Financial Statements*

A condensed version of the Statement of Net Position at June 30, 2014 and June 30, 2013 is as follows:

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Variance</u>
Current Assets :			
Governmental Activities	\$ 259,485	\$ 308,006	\$ (48,521)
Business-type Activities	47,961	55,430	(7,469)
	<u>307,446</u>	<u>363,436</u>	<u>(55,990)</u>
Noncurrent Assets:			
Governmental Activities	141,803	115,786	26,017
Business-type Activities	995,420	1,043,487	(48,067)
	<u>1,137,223</u>	<u>1,159,273</u>	<u>(22,050)</u>
Total Assets	<u>\$ 1,444,669</u>	<u>\$ 1,522,709</u>	<u>\$ (78,040)</u>
Current Liabilities:			
Governmental Activities	\$ 11,386	\$ 12,611	\$ (1,225)
Business-type Activities	38,114	36,339	1,775
	<u>49,500</u>	<u>48,950</u>	<u>550</u>
Noncurrent Liabilities:			
Governmental Activities	-	-	-
Business-type Activities	120,098	141,794	(21,696)
	<u>120,098</u>	<u>141,794</u>	<u>(21,696)</u>
Total Liabilities	<u>169,598</u>	<u>190,744</u>	<u>(21,146)</u>
Net Position:			
Invested in Capital Assets, net:			
Governmental Activities	141,803	115,786	26,017
Business-type Activities	832,390	864,936	(32,546)
	<u>974,193</u>	<u>980,722</u>	<u>(6,529)</u>
Restricted:			
Governmental Activities	-	-	-
Business-type Activities	20,735	20,739	(4)
	<u>20,735</u>	<u>20,739</u>	<u>(4)</u>
Unrestricted:			
Governmental Activities	248,099	295,395	(47,296)
Business-type Activities	32,044	35,109	(3,065)
	<u>280,143</u>	<u>330,504</u>	<u>(50,361)</u>
Net Position	<u>\$ 1,275,071</u>	<u>\$ 1,331,965</u>	<u>\$ (56,894)</u>

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

- Total assets have decreased \$78,040 over the prior year which consists of a decrease of current assets in the amount of \$55,990 and a decrease in noncurrent assets in the amount of \$22,050. The noncurrent assets of the Town decreased from a net increase in capital assets from the purchase of capital assets less the increase in accumulated depreciation from the depreciation expense.
- Total liabilities decreased by \$21,146. Noncurrent liabilities have decreased from the principal payments on the long-term debt and bonds and current liabilities increased from an increase in accounts payable.
- Total net position decreased \$56,894, the difference between revenues and expenses.

A condensed version of the Statement of Activities follows:

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Variance</u>
<b>Governmental Activities:</b>			
Program Revenues:			
General Government	\$ -	\$ -	\$ -
Police	7,320	6,012	1,308
Fire	4,586	17,551	(12,965)
Street and Alley	5,120	4,912	208
	<u>17,026</u>	<u>28,475</u>	<u>(11,449)</u>
General Revenues:			
Taxes	149,379	163,168	(13,789)
Investment Earnings	1,082	1,820	(738)
Miscellaneous	10,895	1,986	8,909
	<u>161,356</u>	<u>166,974</u>	<u>(5,618)</u>
<b>Business-Type Activities:</b>			
Program Revenues:			
Public Works - Water and Sewer	172,561	161,665	10,896
Trash Collections	43,826	43,220	606
	<u>216,387</u>	<u>204,885</u>	<u>11,502</u>
General Revenues:			
Investment Earnings	210	254	(44)
Miscellaneous	3,158	-	3,158
	<u>3,368</u>	<u>254</u>	<u>3,114</u>
Total Revenues	<u>398,137</u>	<u>400,588</u>	<u>(2,451)</u>

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Variance</u>
<b>Governmental Activities:</b>			
Expenses:			
General Government	129,717	124,726	4,991
Library	1,990	1,693	297
Police	40,693	42,238	(1,545)
Fire	21,010	30,256	(9,246)
Street and Alley	6,251	6,617	(366)
	<u>199,661</u>	<u>205,530</u>	<u>(5,869)</u>
<b>Business-Type Activities:</b>			
Expenses:			
Public Works - Water and Sewer	209,385	202,126	7,259
Trash Collections	45,985	44,105	1,880
	<u>255,370</u>	<u>246,231</u>	<u>9,139</u>
Total Program Expenses	<u>455,031</u>	<u>451,761</u>	<u>3,270</u>
Change in Net Position	(56,894)	(51,173)	(5,721)
Net Position, Beginning	1,331,965	1,383,138	(51,173)
Net Position, Ending	<u>\$ 1,275,071</u>	<u>\$ 1,331,965</u>	<u>\$ (56,894)</u>

The amounts reported for the 2014 fiscal year in the above condensed Statement of Activities indicated some variances. Revenues for the current year decreased over the prior year in the amount of \$2,451 with expenses increasing over the prior year in the amount of \$3,270. The revenues for governmental activities decreased \$17,067 resulting from a decrease in fines and taxes. Program revenues for Business-type activities decreased a small amount over the prior year from an increase in water and sewer revenues.

***Fund Financial Information and Budgetary Highlights***

The Town of Red Oak operates under the Budget Act statutes of Oklahoma. Over the course of the year, there were no budget revisions. At the end of the year, the General Fund experienced an unfavorable revenue variance of \$36,325, and an unfavorable expenditure variance of \$11,569, which combined for an unfavorable variance in the amount of \$47,894 in terms of net change to fund balance.



**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

***Capital Assets and Debt Administration***

***Capital Assets***

At June 30, 2014, the Town has \$1,093,818 invested in capital assets, including machinery and equipment, buildings, the water system and the sewer system. As viewed below, the decrease in Net Capital Assets is attributed to the current year purchases less the current year depreciation expense.

	<b>Balance</b>			<b>Balance</b>
	<b><u>6/30/2013</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>6/30/2014</u></b>
Buildings	104,938	-	-	104,938
Water and Sewer System	1,751,418	-	-	1,751,418
Machinery and Equipment	<u>240,438</u>	<u>55,407</u>	<u>-</u>	<u>295,845</u>
	2,096,794	55,407	-	2,152,201
Accumulated Depreciation	<u>975,855</u>	<u>82,528</u>	<u>-</u>	<u>1,058,383</u>
	<u>1,120,939</u>	<u>(27,121)</u>	<u>-</u>	<u>1,093,818</u>
	<u>1,120,939</u>	<u>(27,121)</u>	<u>-</u>	<u>1,093,818</u>

See Note 4 on page 25 for additional information on capital assets activity.

***Debt Outstanding***

The Town of Red Oak has not incurred any new debt during the current year. There are two outstanding debts owed by the Red Oak Public Works Authority, Revenue Bonds in the amount of \$66,376 and a loan from Oklahoma Department of Commerce in the amount of \$53,125. During the year ending June 30, 2014, principal payments of \$20,558 and interest of \$1,135 were paid.

See Note 5 on page 26 for additional information on long-term debt activity and balances.

***Economic Factors and Next Year's Budget***

The Town of Red Oak uses the Municipal Budget Act. The budget for the year ending June 30, 2014 remains similar to the previous year with decreases in revenues.

***Financial Contact***

The Town's financial statements are designed to present users with a general over view of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Mayor or Town Clerk at the Town of Red Oak, Red Oak, Oklahoma at 918-673-1765.

**TOWN OF RED OAK, OKLAHOMA  
STATEMENT OF NET ASSETS  
JUNE 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 216,640	\$ 11,269	\$ 227,909
Accounts Receivable, Net	12,307	16,299	28,606
Investments, Unrestricted	<u>30,538</u>	<u>20,393</u>	<u>50,931</u>
Total Current Assets	<u>259,485</u>	<u>47,961</u>	<u>307,446</u>
<b>Noncurrent Assets:</b>			
Restricted Investments, Debt Reserve	-	20,735	20,735
Restricted Cash and Cash Equivalents, Meter Funds	-	22,670	22,670
Capital Assets, Net of Depreciation	<u>141,803</u>	<u>952,015</u>	<u>1,093,818</u>
Total Assets	\$ <u>401,288</u>	\$ <u>1,043,381</u>	\$ <u>1,444,669</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 11,386	\$ 16,787	\$ 28,173
Accrued Interest Payable	-	124	124
Notes Payable, Current	<u>-</u>	<u>21,203</u>	<u>21,203</u>
Total Current Liabilities	<u>11,386</u>	<u>38,114</u>	<u>49,500</u>
<b>Noncurrent Liabilities:</b>			
Customer Deposits Payable	-	21,800	21,800
Notes Payable	<u>-</u>	<u>98,298</u>	<u>98,298</u>
Total Noncurrent Liabilities	<u>-</u>	<u>120,098</u>	<u>120,098</u>
Total Liabilities	<u>11,386</u>	<u>158,212</u>	<u>169,598</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	141,803	832,390	974,193
Restricted	-	20,735	20,735
Unrestricted	<u>248,099</u>	<u>32,044</u>	<u>280,143</u>
Total Net Position	<u>389,902</u>	<u>885,169</u>	<u>1,275,071</u>
Total Liabilities and Net Position	\$ <u>401,288</u>	\$ <u>1,043,381</u>	\$ <u>1,444,669</u>

See accompanying notes to the basic financial statements.

Exhibit B

**TOWN OF RED OAK, OKLAHOMA  
STATEMENT OF ACTIVITIES  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014**

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 129,717	\$ -	\$ -	\$ -	\$ (129,717)	\$ -	\$ (129,717)
Library	1,990	-	-	-	(1,990)	-	(1,990)
Public Safety:							
Police	40,693	7,320	-	-	(33,373)	-	(33,373)
Fire	21,010	-	4,586	-	(16,424)	-	(16,424)
Street and Alley	<u>6,251</u>	<u>-</u>	<u>5,120</u>	<u>-</u>	<u>(1,131)</u>	<u>-</u>	<u>(1,131)</u>
<b>Total Governmental Activities</b>	<u>199,661</u>	<u>7,320</u>	<u>9,706</u>	<u>-</u>	<u>(182,635)</u>	<u>-</u>	<u>(182,635)</u>
<b>Business-type Activities:</b>							
Public Works - Water and Sewer	209,385	172,561	-	-	-	(36,824)	(36,824)
Trash Collections	<u>45,985</u>	<u>43,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,159)</u>	<u>(2,159)</u>
<b>Total Business-type Activities</b>	<u>255,370</u>	<u>216,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,983)</u>	<u>(38,983)</u>
<b>Total</b>	\$ <u><u>455,031</u></u>	\$ <u><u>223,707</u></u>	\$ <u><u>9,706</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(182,635)</u></u>	\$ <u><u>(38,983)</u></u>	\$ <u><u>(221,618)</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF RED OAK, OKLAHOMA  
STATEMENT OF ACTIVITIES, CONTINUED  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014**

	<b>Net (Expenses) Revenue and Changes in Net Assets</b>		
	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
<b>Program Revenues:</b>			
Expenses (Over) Under Revenues	\$ <u>(182,635)</u>	\$ <u>(38,983)</u>	\$ <u>(221,618)</u>
<b>General Revenues:</b>			
Taxes:			
Sales Tax	123,316	-	123,316
Franchise Tax	12,396	-	12,396
Intergovernmental -			
State Alcoholic Beverage Tax	13,667	-	13,667
Investments Earnings	1,082	210	1,292
Miscellaneous	<u>10,895</u>	<u>3,158</u>	<u>14,053</u>
Total General Revenues	<u>161,356</u>	<u>3,368</u>	<u>164,724</u>
Changes in Net Assets	(21,279)	(35,615)	(56,894)
Net Position at Beginning of Year	<u>411,181</u>	<u>920,784</u>	<u>1,331,965</u>
Net Position at End of Year	\$ <u><u>389,902</u></u>	\$ <u><u>885,169</u></u>	\$ <u><u>1,275,071</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF RED OAK, OKLAHOMA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General Fund</u>	<u>Street/Alley &amp; Fire Dept. Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
<b>Current Assets:</b>			
Cash	\$ 178,217	\$ 38,423	\$ 216,640
Accounts Receivable, Net	11,975	332	12,307
Investments, Unrestricted	30,538	-	30,538
Total Current Assets	\$ 220,730	\$ 38,755	\$ 259,485
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 11,386	\$ -	\$ 11,386
Total Current Liabilities	11,386	-	11,386
 <b>Fund Balances:</b>			
Unreserved Fund Balance	209,344	38,755	248,099
Total Fund Balances	209,344	38,755	248,099
Total Liabilities and Fund Balances	\$ 220,730	\$ 38,755	
 <i>Capital Assets, net of accumulated depreciation, used in Governmental Activities are not current financial resources and therefore are not reported in the governmental funds.</i>			141,803
Net Assets of Governmental Activities			\$ 389,902

See accompanying notes to the basic financial statements.

**TOWN OF RED OAK, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>General Fund</b>	<b>Street/Alley &amp; Fire Dept. Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Taxes	\$ 149,378	\$ 5,120	\$ 154,498
Fines and Forfeitures	7,320	-	7,320
Operating Grants and Contributions	-	4,586	4,586
Miscellaneous	10,895	-	10,895
Interest	1,082	-	1,082
<b>Total Revenues</b>	<u>168,675</u>	<u>9,706</u>	<u>178,381</u>
<b>Current Expenditures:</b>			
<b>General Government</b>			
Personal Services	14,497	-	14,497
Maintenance and Operations	103,982	9,108	113,090
Capital Outlay	21,870	-	21,870
<b>Police</b>			
Salaries	26,323	-	26,323
Maintenance and Operations	14,369	-	14,369
Capital Outlay	33,538	-	33,538
<b>Library</b>			
Maintenance and Operations	1,990	-	1,990
<b>Total Expenditures</b>	<u>216,569</u>	<u>9,108</u>	<u>225,677</u>
<b>Other Financing Sources and Uses:</b>			
Capital Grants	-	-	-
Transfer – Interfund	-	-	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(47,894)	598	(47,296)
<b>Fund Balance, Beginning</b>	<u>257,238</u>	<u>38157</u>	
<b>Fund Balance, End</b>	<u>\$ 209,344</u>	<u>\$ 38,755</u>	
<b>Adjustments for the Statement of Activities:</b>			
<i>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount of depreciation expense in the current period less capital outlay less capital outlay.</i>			
<b>Change in Net Assets</b>			<u>26,017</u>
			<u>\$ (21,279)</u>

See accompanying notes to the basic financial statements.

**TOWN OF RED OAK, OKLAHOMA  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
JUNE 30, 2014**

	<b>Enterprise <u>Funds</u></b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash	\$ 11,269
Accounts Receivable, Net	16,299
Investments, Unrestricted	20,393
Total Current Assets	47,961
<b>Noncurrent Assets:</b>	
Restricted Investments, Debt Reserve	20,735
Restricted Cash, Meter Funds	22,670
Capital Assets, Net of Depreciation	952,015
Total Assets	\$ 1,043,381
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable	\$ 16,787
Accrued Interest Payable	124
Notes Payable, Current Portion	21,203
Total Current Liabilities	38,114
<b>Noncurrent Liabilities:</b>	
Customer Deposits Payable	21,800
Notes Payable, Less Current Maturities	98,298
Total Noncurrent Liabilities	120,098
Total Liabilities	158,212
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	832,390
Restricted	20,735
Unrestricted	32,044
Total Net Position	885,169
Total Liabilities and Net Position	\$ 1,043,381

See accompanying notes to the basic financial statements.

**TOWN OF RED OAK, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Enterprise Funds</b>
<b>Operating Revenues:</b>	
Charges for services - Water	\$ 140,760
Charges for services - Sewer	31,801
Charges for services - Trash Collections	43,826
Miscellaneous	3,158
<b>Total Revenues</b>	219,545
<b>Operating Expenses:</b>	
Management Services	141,213
Salaries and Wages	8,441
Trash Service	45,985
Repairs and Maintenance	736
Materials and Supplies	1,373
Other Services and Charges	3,350
Depreciation	53,137
<b>Total Expenditures</b>	254,235
<b>Net Operating Income</b>	(34,690)
<b>Non-operating Revenue(Expense)</b>	
Investment Income	210
Interest Expense	(1,135)
<b>Total Non-operating Revenue(Expense)</b>	(925)
<b>Increase (Decrease) in Net Position</b>	(35,615)
<b>Net Position, Beginning</b>	920,784
<b>Net Position, Ending</b>	\$ 885,169

See accompanying notes to the basic financial statements.



**TOWN OF RED OAK, OKLAHOMA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b><u>Enterprise Funds</u></b>
<b>Cash Flows from Operating Activities:</b>	
Receipts from Customers	\$ 217,393
Cash from Other Income	3,158
Payments to Employees	(8,441)
Payments to Suppliers and Vendors	(191,987)
Net Cash Provided (Used) by Operating Activities	20,123
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal Paid on Long-term Debt	(20,558)
Interest Paid on Long-term Debt	(1,168)
Net Cash Provided (Used) by Capital and Related Financing Activities	(21,726)
<b>Cash Flows from Investing Activities:</b>	
Receipts of Interest Income	210
Sale of Investments	(152)
Net Cash Provided (Used) from Investing Activities	58
Net Increase (Decrease) in Cash and Cash Equivalents	(1,545)
Cash and Cash Equivalents, Beginning	56,219
Cash and Cash Equivalents, Ending	\$ 54,674
Cash and Cash Equivalents	\$ 11,269
Restricted Investments, Debt Reserve	20,735
Restricted Cash, Meter Funds	22,670
	\$ 54,674

See accompanying notes to the basic financial statements.

**TOWN OF RED OAK, OKLAHOMA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b><u>Enterprise Funds</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ <u>(34,690)</u>
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	53,137
Change in Assets and Liabilities:	
Accounts Receivable	1,006
Accounts Payable	<u>670</u>
Total Adjustments	<u>54,813</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>20,123</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF RED OAK, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Town of Red Oak (the Town) relating to the fund types included in the financial statements conform to generally accepted accounting principles prescribed by the Governmental Accounting Standards Board. The following represent the more significant accounting and reporting policies and practices of the Town.

**Reporting Entity**

The Town of Red Oak, for financial reporting purposes, includes all funds and authorities over which the Town council has financial accountability as defined by GASB-14 and GASB-39. Financial accountability was determined on the basis of the Town's ability to significantly influence operations, select the governing authority, and participate in fiscal management and scope of public service. On this basis, the reporting entity of the Town of Red Oak includes all its funds as well as the funds and accounts of the blended component unit; the Red Oak Public Works Authority.

The Red Oak Public Works Authority is a public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1961, and Sections 176 to 180, for the use and benefit of the Town of Red Oak. The trust has as its purpose to budget, construct, plan, establish, install, enlarge, improve, equip, operate, control and regulate facilities, whether water, sewer, gas, electric or other forms or types of public and municipal services within and without the corporate boundaries of the Town of Red Oak. The ROPWA is governed by the trustees of the Town of Red Oak.

**Basis of Presentation***Management's Discussion and Analysis:*

GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the Town's financial activities in the form of management's discussion and analysis (MD&A).

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for the fiduciary funds of which the Town has none. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are generally organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The funds of the financial reporting entity are described below:

**TOWN OF RED OAK, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Governmental Funds:*

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

Special Revenue Fund - These funds are used to account for the revenues derived from specific taxes, governmental grants, or other revenue sources which are designated to finance particular functions or activities of the Town. The Town's special revenue funds consist of the following funds: Street & Alley, Fire and Nutrition Fund.

*Proprietary Fund Types:*

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - 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 (b) where the governing body has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Town's Enterprise fund consists of the Red Oak Public Works Authority.

**Measurement Focus and Basis of Accounting**

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

The government-wide financial statements and proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. Capital assets and long-term debt are not reported in governmental fund financial statements because they do not involve current financial resources.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 accounting period. Actual results could differ from those estimates.

**TOWN OF RED OAK, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***Budgetary Process***

Annually a legally adopted budget is prepared for the governmental funds and an operating budget forecast is prepared for the Public Works Authority Fund. The budgets are formally approved by the Board of Trustees before filing with the State of Oklahoma. Actual expenditures within the General Fund may not legally exceed the adopted budget appropriations at the object category level within the department of a fund.

***Assets, Liabilities, and Equity***

*Cash and Cash Equivalents:*

For the purpose of the Statement of Net Assets, and the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit with an original maturity of three months or less.

*Investments:*

Investments consist of long-term certificates of deposits and are stated at cost, which approximates market unless otherwise indicated with a maturity at the time of purchase of more than three months.

*Receivables:*

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivables.

*Restricted Assets:*

Under the terms of the bond indentures, the Red Oak Public Works Authority must maintain certain "funds". These are not funds in the sense of fiscal and accounting entities with self-balancing sets of accounts; they merely represent mandatory asset segregation. The primary restricted assets are related to bond trustee accounts and utility meter deposits.

*Capital Assets:*

The accounting treatment over property, plant and equipment (Capital assets) depends on whether the assets are used in general governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All Capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated Capital assets which are recorded at their estimated fair value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. It is the policy of the Town to capitalize all assets with a cost of \$1,000 or greater.

**TOWN OF RED OAK, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Depreciation of all exhaustible Capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follow:

Buildings	20 years
Improvements	10 - 20 years
Machinery and Equipment	5 - 10 years
Infrastructure	40 years

Fund Financial Statements

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

*Long-term Debt:*

The accounting treatment of long-term debt 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.

All long-term debt to be repaid from governmental and business type resources are reported as liabilities in the government-wide statements. The long-term debt currently consists of bond and notes payable by the ROPWA.

*Equity Classifications:*

Government-wide Statements

Equity is classified as net position and displayed in the following 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 - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
- C. Unrestricted - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund 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 to the extent applicable. Proprietary fund equity is classified the same as in the government-wide statements.

**TOWN OF RED OAK, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued****Revenues, Expenditures, and Expenses***Sales Tax:*

The Town is currently receiving sales tax on each dollar. This is deposited into the general fund for the purpose of paying the operation and maintenance costs incurred by the Town.

*Operating Revenues and Expenses:*

Operating revenues and expenses for proprietary funds are those that result from providing services and delivering goods and/or services. It also includes all 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 for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Government Funds - By Character

Current

Capital Outlay

Proprietary Fund - By Operating and Non-operating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

*Interfund Transfers*

Interfund receivables and payables arise from Interfund transactions and are recorded by all programs affected in the period in which the transactions are executed. These receivables and payables within the same fund type are eliminated for presentation of the financial statements in the government-wide statements. Net receivables and payables between governmental activities and business-type activities are reported as internal balances and internal transfers.

**NOTE 2 – CASH, CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS**

The Town of Red Oak is governed by the deposit and investment limitations of state law. The deposits and investments held at June 30, 2014, and reported at fair value are as follow:

<u>TYPE</u>	<u>Carring Value</u>
<b>Deposits:</b>	
Demand Deposits	\$ 286,834
<b>Investments:</b>	
Certificates of Deposit	35,411
<b>Total Deposits and Investments</b>	<b>\$ 322,245</b>
<b>Reconciliation to Statement of Net Assets:</b>	
Cash and Cash Equivalents	227,909
Investments, Unrestricted	50,931
Restricted Cash and Cash Equivalents, Meter Funds	22,670
Restricted Investments, Debt Reserve	20,735
	<u>\$ 322,245</u>

**TOWN OF RED OAK, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 2 - CASH, CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS,**  
**Continued**

*Custodial Credit Risk* - State law governs the requirements for managing custodial credit risk. Such law requires uninsured deposits to be secured with collateral having market value at least equal to the amount of uninsured deposits. Deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had a bank balance of \$337,348 at June 30, 2014, which was fully insured by depository insurance or secured with collateral held by the Town's agent in its name. All investments, evidenced by individual securities, are registered in the name of the Town or its component unit.

*Investment Interest Rate Risk* - The Town has no formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Nonnegotiable certificates of deposit are not subject to interest rate risk, therefore their maturity dates are not provided.

*Investment Credit Risk* - The Town has no investment policy which limits its investment choices other than the limitation of state law as follows:

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

*Concentration of Investment Credit Risk* - The Town places no limit on the amount it may invest in any one issuer. At June 30, 2014, the Town had limited concentration of credit risk because the investments consist of Certificates of Deposit.



**TOWN OF RED OAK, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable in the enterprise fund represent utility billings at June 30, 2014. As of this date, no allowance is considered necessary as all receivables are considered collectible. In the governmental funds, accounts receivable represents receivables for taxes.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 is as follows:

	<b>Balance</b>				<b>Balance</b>
	<b>6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>		<b>6/30/2014</b>
<i>Governmental Activities:</i>					
Buildings	\$ 94,380	\$ -	\$ -	\$	94,380
Machinery and Equipment	200,730	55,407	(17,440)		238,697
	<u>295,110</u>	<u>55,407</u>	<u>(17,440)</u>		<u>333,077</u>
Less: Accumulated Depreciation					
Buildings	29,218	4,112	-		33,330
Machinery and Equipment	150,105	25,279	(17,440)		157,944
Total Accumulated Depreciation	<u>179,323</u>	<u>29,391</u>	<u>(17,440)</u>		<u>191,274</u>
	<u>115,787</u>	<u>26,016</u>	<u>-</u>		<u>141,803</u>
<i>Business-type Activities:</i>					
Depreciable Assets:					
Buildings	10,558	-	-		10,558
Machinery and Equipment	39,708	-	-		39,708
Water and Sewer System	1,751,418	-	-		1,751,418
	<u>1,801,684</u>	<u>-</u>	<u>-</u>		<u>1,801,684</u>
Less: Accumulated Depreciation					
Buildings	5,279	528	-		5,807
Water and Sewer System	757,950	50,474	-		808,424
Machinery and Equipment	33,303	2,135	-		35,438
Total Accumulated Depreciation	<u>796,532</u>	<u>53,137</u>	<u>-</u>		<u>849,669</u>
	<u>1,005,152</u>	<u>(53,137)</u>	<u>-</u>		<u>952,015</u>
	<u>\$ 1,120,939</u>	<u>\$ (27,121)</u>	<u>\$ -</u>	<u>\$</u>	<u>1,093,818</u>

Depreciation expense for June 30, 2014 is \$82,528.

**TOWN OF RED OAK, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 5 - LONG-TERM DEBT**

Long-term debt consists of the following debts owed by the Town of Red Oak and the Red Oak Public Works Authority. A summary of long-term debt follows:

*Governmental Fund:*

A financial obligation exists to the State Department of Transportation for the Town's share of the cost of relocation of utilities on the widening and resurfacing of U.S. Highway 270 within the Town limits of the Town of Red Oak. The Town's total share of the cost is \$42,874. The Town is currently paying the obligation at a rate of \$50 per month with no interest.

*Business-type Activities:*

First Mortgage Revenues Bonds were issued May 1, 1993 in the original amount of \$220,000 with a Variable Coupon Rate.

Long-term debt is owed to the Oklahoma Department of Commerce with an original balance of \$125,000, payable at no interest and monthly payments of \$520.83.

	<i>Balance</i>			<i>Balance</i>		<i>Due in</i>
	<u>6/30/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2014</u>	<u>One Year</u>	
<i>Business-type Activities:</i>						
ODOC long-term debt	\$ 59,375	\$ -	\$ 6,250	\$ 53,125	\$	6,250
First Mortgage Revenue Bonds	80,684	-	14,308	66,376	\$	14,953
	<u>\$ 140,059</u>	<u>\$ -</u>	<u>\$ 20,558</u>	<u>\$ 119,501</u>	<u>\$</u>	<u>21,203</u>

Maturities of long-term debt are as follow:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>Payments</u>	<u>Payments</u>	
6/30/2015	\$ 21,203	\$ 948	\$ 22,151
6/30/2016	21,437	714	22,151
6/30/2017	21,675	476	22,151
6/30/2018	21,918	233	22,151
6/30/2019	11,392	20	11,412
6/30/2020 to 6/30/2023	21,876	-	21,876
	<u>\$ 119,501</u>	<u>\$ 2,391</u>	<u>\$ 121,892</u>

**NOTE 6 - LITIGATION**

Neither the Town nor the Authority has any known pending claims or lawsuits against them as of June 30, 2014, the outcome of which would result in a material liability or damage claim.

**TOWN OF RED OAK, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7 - CONTINGENCIES**

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to the federal grantors and/or program beneficiaries.

**NOTE 8 - 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; and natural disasters for which the Town purchases commercial insurance.

Management believes this coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded coverage in any of the past three fiscal years.

**TOWN OF RED OAK, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**GENERAL:**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 160,000	\$ 160,000	\$ 149,378	\$ (10,622)
Fines and Forfeitures	8,000	8,000	7,320	(680)
Grants	5,000	5,000	-	(5,000)
Miscellaneous	5,000	5,000	10,895	5,895
Interest	2,000	2,000	1,082	(918)
Reserve Usage	25,000	25,000	-	(25,000)
<b>Total Revenues</b>	<u>205,000</u>	<u>205,000</u>	<u>168,675</u>	<u>(36,325)</u>
<b>Expenditures:</b>				
<b>General Government</b>				
Personal Services	16,000	16,000	14,497	1,503
Maintenance and Operations	40,000	40,000	55,982	(15,982)
Capital Outlay	20,000	20,000	21,870	(1,870)
Grant Expenditures	5,000	5,000	-	5,000
Transfer to Other Funds	42,000	42,000	48,000	(6,000)
<b>Police</b>				
Salaries	29,000	29,000	26,323	2,677
Maintenance and Operations	15,000	15,000	14,369	631
Capital Outlay	35,000	35,000	33,538	1,462
<b>Library</b>				
Maintenance and Operations	3,000	3,000	1,990	1,010
<b>Total Expenditures</b>	<u>205,000</u>	<u>205,000</u>	<u>216,569</u>	<u>(11,569)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (47,894)</u>	<u>\$ (47,894)</u>

See accompanying notes to the basic financial statements.

**TOWN OF RED OAK, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**STREET & ALLEY:**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 5,000	\$ 5,000	\$ 5,120	\$ 120
<b>Total Revenues</b>	<u>5,000</u>	<u>5,000</u>	<u>5,120</u>	<u>120</u>
<b>Expenditures:</b>				
Maintenance and Operations	4,500	4,500	5,881	(1,381)
Capital Outlay	500	500	-	500
<b>Total Expenditures</b>	<u>5,000</u>	<u>5,000</u>	<u>5,881</u>	<u>(881)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (761)</u>	<u>\$ (761)</u>

**FIRE:**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
Donations	\$ 2,000	\$ 2,000	-	(2,000)
Grant Revenues	5,000	5,000	4,586	(414)
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<u>7,000</u>	<u>7,000</u>	<u>4,586</u>	<u>(2,414)</u>
<b>Expenditures:</b>				
Maintenance and Operations	7,000	7,000	3,227	3,773
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<u>7,000</u>	<u>7,000</u>	<u>3,227</u>	<u>3,773</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,359</u>	<u>\$ 1,359</u>

See accompanying notes to the basic financial statements.

CYNTHIA L WARREN CPA, P.C.

=====

P.O. Box 189  
Eufaula, OK 74432

(918) 452-2116  
Fax (918) 452-3509

**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**

Board of Commissioners  
Town of Red Oak  
Red Oak, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Red Oak, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued my report thereon dated December 31, 2015.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Town of Red Oak's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control.

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

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weakness. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, as described in the accompanying schedule of findings and questioned costs as Finding #2014-01 that I consider to be a significant deficiency.

**Compliance and Other Matters**

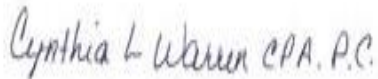
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 or other matters that are required to be reported under *Government Auditing Standards*.

**Town of Red Oak's Response to Findings**

The Town of Red Oak's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The Town of Red Oak's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of this Report**

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



Cynthia L Warren CPA, P.C.  
Eufaula, Oklahoma  
December 31, 2015

**TOWN OF RED OAK, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

**#2014-01      *Lack of Segregation of Duties***

**Criteria:** The Town should have a sufficient and properly designed internal control structure. This structure relies greatly on a proper segregation of duties between individuals. In the perfect situation, duties relating to asset custody and initiating, authorizing, recording, processing and reporting financial data would be segregated to provide reasonable assurance that a misstatement of the authority's financial statements which is more than inconsequential would be prevented or detected and corrected.

**Condition:** The Town has two administrative employees and as a result does not have the personnel to assign duties and responsibilities in such a way which would segregate duties as mentioned above. The limited number of employees results in an inadequate overall internal control structure design. Specific areas affected are described below:

*Cash and Cash transactions* – The two administrative employees, the Town Clerk and Utility Clerk, control the initiating, recording, processing and reporting of cash transactions. The Town's controls over cash include a monthly bank reconciliation prepared by the administrative employees.

*Revenues and Receivables* – The Town Clerk has sole control over the processing of revenues and receivables. These revenues and receivables are recorded on a monthly basis.

*Expenditures/Expenses and Accounts Payable* - The Town Clerk controls the initiating, recording, processing and reporting of expenditures/expenses. The Town requires dual signatures on all checks written, the Town Clerk and Mayor. Purchase Orders and invoices are reviewed at the time of signature by all Council members; however, the Town Clerk maintains control over the checks before and after signature. The Town Clerk determines the account classification for expenditures.

**Cause:** Due to cost restrictions, the Town has limited staff. Resources are not currently available for additional employees for the appropriate segregation of duties.

**Effect:** The lack of segregation of duties related to controls as stated above are significant deficiencies that could result in the likelihood that a material misstatement of the financial statements due to either errors or fraud may occur and not be prevented or detected.

**Recommendation:** As the Town has limited resources available, at the current time, additional segregation of duties is not financially feasible. The Town should review its procedures and controls to determine additional controls which can be implemented in order to achieve the control objectives related to segregation of duties. The cost effectiveness of these actions should be considered in the implementation of additional controls.

***Response from Management:***

The Town of Red Oak is a small governmental entity. The Town is aware of the limitations in the segregation of duties but at the current time with the current revenues, it is not feasible to increase the segregation of duties.