

TOWN OF REYDON, OKLAHOMA

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2010

**TOWN OF REYDON, OKLAHOMA
TOWN OFFICERS
JUNE 30, 2010**

Mr. Dennis Plemons

Mayor

Mr. Gary Sides

Trustee

Ms. Linda Sriver

Trustee

Ms. Cathy Sasser

Town Clerk/Treasurer

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INDEPENDENT AUDITOR'S REPORT

To the Town Trustees
Town of Reydon, Oklahoma

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Reydon, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. We believe that our audit provides a reasonable basis for our opinions.

The basic financial statements do not include the capital assets in the governmental activities acquired prior to July 1, 2003, and, accordingly, has not recorded depreciation expense on those assets. Only infrastructure assets acquired after July 1, 2003, are required to be reported by accounting principles generally accepted in the United States of America since Governmental Accounting Standards Board Statement #34 does not require

retroactive reporting. The amount that should be recorded as capital assets prior to July 1, 2003, and its related affects on the assets, net assets, and expenses of the governmental activities is not known.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities of the Town of Reydon, Oklahoma, as of June 30, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Town of Reydon, Oklahoma, as of June 30, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated June 25, 2012, on our consideration of the Town of Reydon, Oklahoma's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Town has not presented the management's discussion and analysis as supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information on page 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements taken that collectively comprise the Town's basic financial statements. The accompanying financial information presented in the Other Supplemental Information Section is presented for purposes of additional analysis and is

not a required part of the basic financial statements of the Town of Reydon, Oklahoma. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

McCulley & McCulley

Weatherford, Oklahoma

June 25, 2012

TOWN OF REYDON, OKLAHOMA
STATEMENT OF NET ASSETS-PRIMARY GOVERNMENT
JUNE 30, 2010

ASSETS	GOVERN- MENTAL ACTIVITIES
Cash on Hand	\$ <u>201</u>
Cash in Bank, Including Time Deposits	149,548
Accounts Receivable, Net:	
Services	778
Taxes	3,792
Intergovernmental	1,042
Prepaid Assets	1,598
Restricted and Designated Assets:	
Cash in Bank	2,650
Capital Assets	
Net of Accumulated Depreciation	117,265
TOTAL ASSETS	\$ <u>276,874</u>
LIABILITIES	
Accounts Payable	\$ 14,263
Customer Deposits	2,650
TOTAL LIABILITIES	<u>16,913</u>
NET ASSETS	
Investment in Capital Assets, Net of Related Debt	117,265
Unrestricted Net Assets	142,696
TOTAL NET ASSETS	\$ <u>259,961</u>

The accompanying notes are an integral part of these statements.

**TOWN OF REYDON, OKLAHOMA
STATEMENT OF ACTIVITIES-PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2010**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT					
Governmental Activities:					
Office	\$ 38,213	\$	\$	\$ 22,636	\$ (15,577)
Garbage Disposal	17,797	27,586			9,789
Fire and Ambulance	9,826	2,860		5,100	(1,866)
Senior Citizens and Community Building	35,997	15,049	18,663		(2,285)
Parks	1,851				(1,851)
Depreciation Expense	17,232				(17,232)
Street and Alley	2,372	1,597	47,280		46,505
TOTAL GOVERNMENTAL ACTIVITIES	123,288	47,092	65,943	27,736	17,483
TOTAL PRIMARY GOVERNMENT	\$ 123,288	\$ 47,092	\$ 65,943	\$ 27,736	17,483
General Revenues					
Sales and Use Taxes					30,759
Cigarette Taxes					368
Intergovernmental Revenue					10,957
Franchise Taxes					0
Interest Income					810
Royalties					9
Donations					500
Other Income					200
Transfers					0
Total General Revenues and Transfers					43,603
Change in Net Assets					61,086
NET ASSETS					
Beginning of Year					198,875
End of Year					\$ 259,961

The accompanying notes are an integral part of these statements.

TOWN OF REYDON, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS -
MODIFIED ACCRUAL BASIS
JUNE 30, 2010

	GENERAL FUND	REAP 09-RM-9019 FUND	FIRE & AMBULANCE FUND	CENA GRANT & SR. CIT. FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
ASSETS						
Cash on Hand	\$ 100	\$	\$	\$ 100	\$	\$ 200
Cash in Bank, Including Time Deposits	83,961		27,513	36,023	2,052	149,549
Accounts Receivable, Net:						
Services	778					778
Taxes	3,792					3,792
Intergovernmental	771				271	1,042
Prepaid Assets	1,598					1,598
Due from Other Funds	6,266		150		81	6,497
Restricted Cash for Customer Deposits	2,650					2,650
TOTAL ASSETS	\$ 99,916	\$ 0	\$ 27,663	\$ 36,123	\$ 2,404	\$ 166,106
 LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 7,368	\$	\$ 288	\$ 6,388	\$ 219	\$ 14,263
Due to Other Funds	231			6,266		6,497
Customer Deposits	2,650					2,650
TOTAL LIABILITIES	10,249	0	288	12,654	219	23,410
 FUND BALANCES						
Unreserved, Reported in:						
General Fund	89,667					89,667
Special Revenue Funds			27,375	23,469	2,185	53,029
TOTAL FUND BALANCES	89,667	0	27,375	23,469	2,185	142,696
TOTAL LIABILITIES AND FUND BALANCES	\$ 99,916	\$ 0	\$ 27,663	\$ 36,123	\$ 2,404	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

117,265

Net Assets of Governmental Activities

\$ 259,961

The accompanying notes are an integral part of these statements.

TOWN OF REYDON, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED ACCRUAL
YEAR ENDED JUNE 30, 2010

	GENERAL FUND	REAP 09-RM-9019 FUND	FIRE & AMBULANCE FUND	CENA GRANT & SR. CIT. FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
REVENUES						
Sales and Use Tax	\$ 30,759	\$	\$	\$	\$	\$ 30,759
Cigarette Tax	368					368
Intergovernmental Revenue	10,957	47,280	5,100	18,663	24,233	106,233
Franchise Tax	0					0
Garbage Disposal Fees	26,331					26,331
Late Charges	1,255					1,255
Donations	500		2,860	25		3,385
Meals				13,494		13,494
Interest	672		126		12	810
Monthly Rental Income				1,530		1,530
Royalties	9					9
Other Income	200					200
TOTAL REVENUES	<u>71,051</u>	<u>47,280</u>	<u>8,086</u>	<u>33,712</u>	<u>24,245</u>	<u>184,374</u>
EXPENDITURES						
Office	32,463				5,750	38,213
Garbage Disposal	17,797					17,797
Fire and Ambulance			9,826			9,826
Senior Citizens and Community Building Park	1,851			35,997		35,997
Capital Outlay		47,280			16,886	64,166
Street and Alley					2,372	2,372
TOTAL EXPENDITURES	<u>52,111</u>	<u>47,280</u>	<u>9,826</u>	<u>35,997</u>	<u>25,008</u>	<u>170,222</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>18,940</u>	<u>0</u>	<u>(1,740)</u>	<u>(2,285)</u>	<u>(763)</u>	<u>14,152</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In			840			840
Operating Transfers (Out)	(840)					(840)
TOTAL OTHER FINANCING	<u>(840)</u>	<u>0</u>	<u>840</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	<u>18,100</u>	<u>0</u>	<u>(900)</u>	<u>(2,285)</u>	<u>(763)</u>	<u>14,152</u>
FUND BALANCE						
Beginning of Year	71,567		28,275	25,754	2,948	128,544
End of Year	<u>\$ 89,667</u>	<u>\$ 0</u>	<u>\$ 27,375</u>	<u>\$ 23,469</u>	<u>\$ 2,185</u>	<u>\$ 142,696</u>

The accompanying notes are an integral part of these statements.

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 14,152

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

46,934

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 61,086

The accompanying notes are an integral part of these statements.

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. Summary of Significant Accounting Policies.

The accounting policies of the Town of Reydon, Oklahoma, (the Town), conform to accounting principles generally accepted in the United States of America as applicable to governments, except as noted. These standards are set by the Government Accounting Standards Board (GASB). The following is a summary of the more significant current accounting policies.

A. Reporting Entity.

Town of Reydon, Oklahoma, is an incorporated town under the provisions of the State of Oklahoma. The Town provides the following services: public safety (fire), streets, sanitation, recreation, and general administrative services.

The Town, for financial purposes, includes all of the funds relevant to the operations of the Town of Reydon, except for the capital assets acquired prior to July 1, 2003, as noted below. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Reydon.

The financial statements of the Town include those of any separately administered organization that is controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. Other considerations include those entities that are within the scope of public service of the Town or whose exclusion from a reporting entity's financial statements would be misleading. Scope of public service include those who benefit from the activity and whether it is conducted within the entity's geographic boundaries and is generally available to its citizens.

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. Summary of Significant Accounting Policies (continued).

B. Basic Financial Statements.

Basic financial statements include a Statement of Net Assets and Statement of Activities for the government-wide and business-type activities. The government-wide financial statements report on the Town as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town does not have any business-type activities. The governmental activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustain-ability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effects of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Town. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt are capital assets net of accumulated depreciation and reduced by the outstanding balances of any mortgages or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, laws or regulations of other governments, or 2) imposed by law through constitutional provision or enabling legislation. All net assets not otherwise classified as restricted are shown as unrestricted. Generally, the Town would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. Summary of Significant Accounting Policies (continued).

B. Basic Financial Statements (continued).

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grant and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. General revenues normally support the net costs of the functions and programs not covered by program revenues.

Basic financial statements also include fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds based upon a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental and enterprise funds combined, it also gives governments the option of displaying other funds as major funds. Other nonmajor funds (if any) are combined in a single column as other governmental funds on the fund financial statements.

The following are presented as major funds for the Town:

Governmental Funds.

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

REAP 09-RM-9019 Fund - This fund is a special revenue fund used to account for all financial resources relating to the REAP grant to chip and seal the selected streets of the Town.

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. Summary of Significant Accounting Policies (continued).

B. Basic Financial Statements (continued).

Fire and Ambulance Fund - This fund is used to account for the fire department activities and ambulance related activities. Resources are provided from grants and donations or fees from the public.

Cena Grant and Senior Citizen's Fund - This fund is used to account for funds received from Cena funds and senior citizens donations and purchases of meals.

Other Governmental Funds - This column is the summarization of all the nonmajor governmental funds. These were known as special revenue funds under the previous reporting model. Special revenue funds were used to account for all proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

C. Basis of Accounting.

The government-wide financial statements 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.

Governmental fund level 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 collected within the current period or soon enough thereafter to pay liabilities of the current period (normally within 60 days). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditures related to compensated absences are recorded only when the liability has matured and payment is due.

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. Summary of Significant Accounting Policies (continued).

D. Capital Assets.

Generally accepted accounting principles of the United States of America require that all purchased capital assets be valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at the estimated fair market value at the time of donation. Depreciation on capital assets are computed using the straight line method over the estimated useful life of the related asset.

Governmental capital assets are shown in the governmental funds as capital outlay expenditures. Under GASB 34 reporting model, they should be shown as assets in the government-wide financial statements under governmental activities and depreciated. Infrastructure assets (roads, sidewalks, bridges, etc) were previously not reported in the financial statements but now are required to be reported as assets and depreciated. According to GASB statement 34, retroactively reporting of infrastructure assets is not required by the Town. The Town does report its governmental capital assets in these financial statements for those purchased on or after July 1, 2003. The Town does plan to report its infrastructure assets acquired in the future.

E. Allowance for Uncollectible Accounts.

Management periodically reviews its accounts receivable to determine if an account is collectible. An allowance for bad debts is established for those accounts where collection is deemed to be uncertain. At June 30, 2010, \$1,638 was considered to be uncollectible.

F. Intergovernmental Revenue.

Intergovernmental revenue consists of income received from other governmental agencies. These consists of alcohol beverage taxes, motor vehicle taxes, gas excise taxes, and grants.

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

2. Cash in Bank, Including Time Deposits.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town should receive a pledge of collateral for deposits in excess of the insured limits. The Federal Government has increased the federal deposit insurance from \$100,000 to \$250,000. The Town's cash in bank, including time deposits, at June 30, 2010, was covered by federal deposit insurance. The bank balance was \$160,994.

The total amount includes a Certificate of Deposit of \$25,278. Oklahoma Statutes authorize the Town to invest in 1) obligations of the U. S. Government or its agencies and instrumentalities; 2) collateralized or insured certificates of deposits and savings accounts of savings and loan associations, banks, savings banks and credit unions located in Oklahoma; or 3) fully insured certificates of deposits of financial institutions out of state.

Restricted cash in bank consists of cash restricted for customers refundable deposits which have a related liability account.

3. Capital Assets.

	Primary Government			
CAPITAL ASSETS	Balance June 30, 2009	Additions	(Deletions)	Balance June 30, 2010
Governmental-type Activities:				
Cost:				
Building Impr.	\$	\$16,886	\$	\$ 16,886
Infrastructure		47,280		47,280
Equipment	127,813			127,813
Less				
Accumulated Depreciation	(57,482)	(17,232)	_____	(74,714)
Net Governmental- type Activ- ities	\$ 70,331	\$46,934	\$ _____	\$ 117,265

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

3. Capital Assets (continued).

Depreciation expense is not allocated between functions/programs but only expended within the specific funds. Total depreciation expense is \$17,232.

4. Pension Plan - Volunteer Firefighters.

Plan Description. The Town participates in the Oklahoma Firefighters Pension and Retirement System (the Plan) pension plan for its volunteer firefighters. The Plan provides retirement, death and disability benefits to plan members and beneficiaries. The Plan is an agent multiple-employer (or municipality) contributory defined benefit pension plan. The authority to amend and establish the benefit provisions of the plan rests with the Board of Trustees of the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oklahoma Fire Pension and Retirement System, c/o Oklahoma State Fire Fighters Association, 4545 Lincoln Blvd., Oklahoma City, OK 73105-3414.

Funding Policy. Voluntary firemen do not contribute to the Plan. The Town contributes \$ 60 for each volunteer fireman as set by the Oklahoma Statutes. Historically, the State contributes 34% of the Insurance Premium Tax to the plan.

Annual Pension Cost. During the year ended June 30, 2010, the Town contributed \$840 to the Plan. The actuarial valuation report, dated July 1, 2010, does not give disclosure information by municipality or employer.

Actuarial Assumptions. The actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 7.5% and (b) a constant benefit level. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of the insurance premium tax allocation fund on a closed basis. The remaining amortization period at July 1, 2010 was 23 years.

Historical three and ten year trend information are not available.

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

5. Risk Management.

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Town purchases commercial insurance to reduce their risk of loss. These insurance policies have a deductible ranging from zero to \$1,000, depending upon the type of coverage.

6. Interfund Transfers.

The Town periodically makes transfers to different funds to move funds to increase their liquidity and ability to purchase goods and services. Interfund transfers for the year ending June 30, 2010, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General	\$	\$(840)
Fire & Ambulance Fund	840	
	<hr/>	<hr/>
Totals	<u>\$ 840</u>	<u>\$(840)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF REYDON, OKLAHOMA
 COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2010**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Sales and Use Tax	\$ 17,530	\$ 17,530	\$ 30,759	\$ 13,229
Cigarette Taxes	188	188	368	180
Intergovernmental Revenue	9,967	9,967	10,957	990
Franchise Tax	582	582	0	(582)
Garbage Disposal Fees	25,320	25,320	26,331	1,011
Late Charges			1,255	1,255
Interest	305	305	672	367
Royalties			9	9
Donations			500	500
Other			200	200
	<u>53,892</u>	<u>53,892</u>	<u>71,051</u>	<u>17,159</u>
EXPENDITURES				
Personal Services	26,000	26,000	20,921	5,079
Maintenance and Operations	71,156	71,156	31,190	39,966
Capital Outlay	10,000	10,000		10,000
	<u>107,156</u>	<u>107,156</u>	<u>52,111</u>	<u>55,045</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(53,264)	(53,264)	18,940	72,204
OTHER FINANCING SOURCES (USES)				
Transfers (Out), Net	<u>(15,000)</u>	<u>(15,000)</u>	<u>(840)</u>	<u>14,160</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ <u>(68,264)</u>	\$ <u>(68,264)</u>	18,100	\$ <u>86,364</u>
FUND BALANCE				
Beginning of Year			<u>71,567</u>	
End of Year			<u>\$ 89,667</u>	

See the accompanying auditor's report and notes to required supplementary information.

TOWN OF REYDON, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDING JUNE 30, 2010

The Budget and Actual statement reports the original budget as approved and the final budget as amended. The Town only budgets the General Fund in accordance with the State of Oklahoma's estimate of needs law. The Town's budget is adopted at the beginning of each fiscal year and published in the local or regional newspaper. Unused appropriations lapse at the end of the year. Amendments to the budgetary data can be made by a vote of the Town Board of Trustees. No amendments were made during the year ending June 30, 2010.

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF REYDON, OKLAHOMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>CDBG 13543 & REAP 09-RM-9035 FUND</u>	<u>133650 CDBG CIP 08 FUND</u>	<u>STREET & ALLEY FUND</u>	<u>TOTAL OTHER GOVERN- MENTAL</u>
ASSETS				
Cash in Bank	\$ 1	\$	\$ 2,051	\$ 2,052
Accounts Receivable				
- Intergovernmental Revenue			271	271
Due from Other Funds			<u>81</u>	<u>81</u>
TOTAL ASSETS	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 2,403</u>	<u>\$ 2,404</u>
LIABILITIES				
Accounts Payable	\$	\$	\$ 219	\$ 219
FUND EQUITY				
Fund Balance	<u>1</u>	<u></u>	<u>2,184</u>	<u>2,185</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 2,403</u>	<u>\$ 2,404</u>

See the accompanying auditor's report.

**TOWN OF REYDON, OKLAHOMA
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010**

	CDBG 13543 & REAP 09-RM-9035 FUND	133650 CDBG CIP 08 FUND	STREET & ALLEY FUND	TOTAL OTHER GOVERN- MENTAL
REVENUES				
Intergovernmental Revenue	\$ 16,886	\$ 5,750	\$ 1,597	\$ 24,233
Interest			12	12
TOTAL REVENUES	16,886	5,750	1,609	24,245
EXPENDITURES				
Maintenance & Operations		5,750	2,372	8,122
Capital Outlay	16,886			16,886
TOTAL EXPENDITURES	16,886	5,750	2,372	25,008
EXCESS OF REVENUES (UNDER) EXPENDITURES	0	0	(763)	(763)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In				0
Operating Transfers (Out)				0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	0	0	(763)	(763)
FUND BALANCE				
Beginning of Year	1		2,947	2,948
End of Year	\$ 1	\$ 0	\$ 2,184	\$ 2,185

See the accompanying auditor's report.



Certified Public Accountants

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**INDEPENDENT AUDITOR'S 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**

To the Town Trustees
Town of Reydon, Oklahoma

We have audited the financial statements of the governmental activities and each major fund of the Town of Reydon, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town of Reydon's basic financial statements and have issued our report dated June 25, 2012. In our report, our opinion was qualified for the governmental activities because of the omission of the capital assets before July 1, 2003, and the related changes to net assets. The Town has elected to omit the management discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies #1, #2, #3, and #4 described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Reydon, Oklahoma's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance and other matters that are required to be reported under Government Auditing Standards as item #5.

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

This report is intended solely for the information and use of the Board of Trustees, management, others within the entity and

grantors. It is not intended to be and should not be used by anyone other than these specified parties.

McCulley & McCulley

Weatherford, Oklahoma

June 25, 2012

**TOWN OF REYDON, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

1. Lack of Segregation of Duties.

CONDITION AND EFFECT - The Town does not have adequate segregation of duties for internal control structure purposes due to a limited amount of personnel. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

RECOMMENDATION - Duties should be segregated to the extent possible should additional employees be hired in the future. An alternative would be for Board members to perform some of the tasks to segregate the duties for internal control structure purposes.

RESPONSE - The cost of adequately segregating these duties is not considered to be economically feasible.

2. Trash Accounts Receivable.

CONDITION AND EFFECT - The trash accounts receivable general ledger balance did not agree to the end of month aging reports printed (ending accounts receivable per the billing records). No reconciliation was done to the general ledger control account and billing records. Also noticed that unrelated deposits in prior years were posted to accounts receivable versus to income. During June 30, 2010, noted one deposit for the Reydon water district was posted to the Town's trash accounts receivable. Adjustments posted to the billing records did not have accounts receivable general ledger entries made for them. Customer deposits applied to the billing records were not posted to the customer deposits and accounts receivable general ledger accounts nor were the cash amounts transferred to the operating account. Customer deposits that were shown on the final bill as reducing the balance did not affect the customers balance on the individual billing records and aging reports for some unknown reason.

Not reconciling accounts receivable records has been a repeat comment for the Town since the 2002 audit. The effect of not reconciling accounts receivable could result in material errors or fraud occurring and not be detected in a timely manner.

**TOWN OF REYDON, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

2. Trash Accounts Receivable (continued).

RECOMMENDATION - At the end of each month, an ending accounts receivable aging report should be printed showing all individual accounts and the amounts due. The total of this report should agree to the general ledger accounts receivable balance. If any differences exist, then these amounts should be reconciled and documented. Adjusting entries should be made as necessary. All trash billings should be posted as a debit to accounts receivable and credit to income. Adjusting entries made to the billing records should also be posted as they occur to the respective general ledger accounts. Only payments related to billed accounts receivable should be posted as a credit to accounts receivable. Recommend the Board of Trustees implement a policy of ensuring the accounts receivable reconciliation is done for each month as part of its monthly meetings/routine by reviewing the general ledger detail reports and the reconciliation to the billing reports. The Town should get with the software company to correct the problem with the customer deposit not affecting the ending balances after they were applied in the final bill. Ending balances should be corrected as appropriate.

RESPONSE - The Town will work on implementing this recommendation.

3. Customer Deposits Held.

CONDITION AND EFFECT - The Town Board implemented a policy for the payment of a deposit for customers requesting trash services. The Town uses a savings account to account for these deposits. Refunds to customers are paid out of the Town's checking account. The internal control over these deposits were not adequate in that the subsidiary deposit ledgers were not reconciled to the general ledger savings bank account and customer deposit liability account as of the end of each month. Customer deposits were applied to the billing records, but the cash transaction was not made from the savings account to the checking account. Also, some customers were paid a refund out of the checking account, but no transfer of the funds from the savings account to the checking account was made. Noted one customer was refunded his deposit twice. All this resulted in reconciling items between the cash and liability general ledger accounts and the billing customer deposits reports. This condition has been ongoing since the 2003 audit.

**TOWN OF REYDON, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

3. Customer Deposits Held (continued).

RECOMMENDATION - A detail subsidiary ledger of all deposits still held by the Town (both active and inactive accounts) should be printed at the end of each month and reconciled to the savings bank account and liability account (assuming all customer deposit activity is posted to the liability account). The liability and cash account should be the same balance and any interest earned on the cash account should be transferred to the Town's general fund. Any deposit credited to the customer's billing record should have the cash transferred to the checking account and appropriate entries made to reflect the transfers. All customer deposit activity should be done only when the cash is received or paid, and posted to the appropriate accounts. Recommend the Board of Trustees implement a policy of not applying the customer deposit to the final bill unless the cash deposit is transferred to the checking account. They should also ensure the customer deposit savings and liability general ledger accounts are reconciled each month to the customer deposit billing reports as part of its monthly meetings/routine. The Board may want to made the customer deposit savings account into a checking account so transfers and refunds can be made more easily.

RESPONSE - The Town will work on implementing this recommendation.

4. Accounting Records Not Posted Timely.

CONDITION AND EFFECT - The accounting records (budgetary accounting system) has not been maintained properly. None of the funds balance sheet report total assets equaled the sum of the total liabilities plus fund balance. One fund contained numerous errors for the year ending June 30, 2009 and 2010. All other funds contained some errors. Only certain transactions (primarily checks) have been posted to the general fund since June 30, 2011. Accounting records for the bank accounts have not been posted properly and reconciled to the bank statements monthly. Other general ledger accounts such as accounts receivable and customer deposits payable cannot be reconciled to the billing records if the accounting records have not been posted timely. No accounting records were made for the grants the Town received upon inception of the audit. The effect of not posting accounting records timely and reconciling accounts could result in material errors or fraud occurring and not be detected in a timely manner.

**TOWN OF REYDON, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

4. Accounting Records Not Posted Timely (continued).

RECOMMENDATION - All accounting records should be posted within 10 days after the end of each month. Bank statements, billing records, and customer deposits should be reconciled to the accounting records. The Board of Trustees should review the accounting records and reconciliations to ensure they are done as part of their monthly meeting/routine. They may need to consider outsourcing its accounting activities.

RESPONSE - The Town will work on getting its books up to date and reconciling all appropriate accounts. It will work on implementing this recommendation.

5. Violation of State Budgeting Laws.

CONDITION AND EFFECT - The Town has not filed its estimate of needs for fiscal year 2011 with the county. Estimate of needs should be filed by August with the county excise board.

RECOMMENDATION - The Town file its estimate of needs in a timely manner.

RESPONSE - The Town will get its books up to date and work on implementing this recommendation.

**TOWN OF REYDON, OKLAHOMA
UPDATE ON PRIOR YEAR AUDIT COMMENTS
YEAR ENDED JUNE 30, 2012**

1. Lack of Segregation of Duties.

CONDITION AND EFFECT - The Town does not have adequate segregation of duties for internal control structure purposes due to a limited amount of personnel. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

RECOMMENDATION - Duties should be segregated to the extent possible should additional employees be hired in the future. alternative would be for Board members to perform some of the tasks to segregate the duties for internal control structure purposes.

RESPONSE - The cost of adequately segregating these duties is not considered to be economically feasible.

UPDATED COMMENT - Situation the same. Comment repeated in the current year's audit report.

2. Trash Accounts Receivable.

CONDITION AND EFFECT - The trash accounts receivable general ledger balance did not agree to the end of month aging reports printed (ending accounts receivable per the billing records). No reconciliation was done to the general ledger control account and billing records. Also noticed that unrelated deposits were posted to accounts receivable versus to income. Adjustments posted to the billing records did not have accounts receivable general ledger entries made for them. Customer deposits applied to the billing records were not posted to the customer deposits and accounts receivable general ledger accounts nor were the cash amounts transferred to the operating account. Customer deposits that were shown on the final bill as reducing the balance did not affect the customers balance on the individual billing records and aging reports for some unknown reason.

Not reconciling accounts receivable records has been a repeat comment for the Town since the 2002 audit. The effect of not reconciling accounts receivable could result in material errors or fraud occurring and not be detected in a timely manner.

**TOWN OF REYDON, OKLAHOMA
UPDATE ON PRIOR YEAR AUDIT COMMENTS
YEAR ENDED JUNE 30, 2012**

2. Trash Accounts Receivable (continued).

RECOMMENDATION - At the end of each month, an ending accounts receivable aging report should be printed showing all individual accounts and the amounts due. The total of this report should agree to the general ledger accounts receivable balance. If any differences exist, then these amounts should be reconciled and documented. Adjusting entries should be made as necessary. All trash billings should be posted as a debit to accounts receivable and credit to income. Adjusting entries made to the billing records should also be posted as they occur to the respective general ledger accounts. Only payments related to billed accounts receivable should be posted as a credit to accounts receivable. Recommend the Board of Trustees implement a policy of ensuring the accounts receivable reconciliation is done for each month as part of its monthly meetings/routine by reviewing the general ledger detail reports and the reconciliation to the billing reports. The Town should get with the software company to correct the problem with the customer deposit not affecting the ending balances after they were applied in the final bill. Ending balances should be corrected as appropriate.

RESPONSE - The Town will work on implementing this recommendation.

UPDATED COMMENT - The Town did not implement this recommendation. Comment revised for the 2009 audit report.

3. Customer Deposits Held.

CONDITION AND EFFECT - The Town Board implemented a policy for the payment of a deposit for customers requesting trash services. The internal control over these deposits were not adequate in that the subsidiary deposit ledgers were not reconciled to the general ledger savings bank account and customer deposit liability account as of the end of each month. Customer deposits were applied to the billing records, but the cash transaction was not made. This resulted in reconciling items between the cash and liability general ledger accounts and the billing customer deposits reports. This condition has been ongoing since the 2003 audit.

**TOWN OF REYDON, OKLAHOMA
UPDATE ON PRIOR YEAR AUDIT COMMENTS
YEAR ENDED JUNE 30, 2012**

3. Customer Deposits Held (continued).

RECOMMENDATION - A detail subsidiary ledger of all deposits still held by the Town (both active and inactive accounts) should be printed at the end of each month and reconciled to the savings bank account and liability account (assuming all customer deposit activity is posted to the liability account). The liability and cash account should be the same balance and any interest earned on the cash account should be transferred to the Town's general fund. Any deposit credited to the customer's billing record should have the cash transferred to the checking account and appropriate entries made to reflect the transfers. All customer deposit activity should be done only when the cash is received or paid, and posted to the appropriate accounts. Recommend the Board of Trustees implement a policy of not applying the customer deposit to the final bill unless the cash deposit is transferred to the checking account. They should also ensure the customer deposit savings and liability general ledger accounts are reconciled each month to the customer deposit billing reports as part of its monthly meetings/routine. The Board may want to made the customer deposit savings account into a checking account so transfers can be made more easily.

RESPONSE - The Town will work on implementing this recommendation.

UPDATED COMMENT - The Town did not implement this recommendation. Comment repeated and revised for the 2010 audit report.

4. Accounting Records Not Posted Timely.

CONDITION AND EFFECT - The accounting records (budgetary accounting system) has not been maintained properly. One fund contained numerous errors for the year ending June 30, 2009, and no transactions have been posted since June 30, 2009. Only certain transactions (primarily checks) have been posted to other funds since June 30, 2009. Accounting records for the bank accounts have not been posted properly and reconciled to the bank statements monthly. Other general ledger accounts such as accounts receivable and customer deposits payable cannot be reconciled to the billing records if the accounting records have not been posted timely. The effect of not posting accounting records timely and reconciling accounts could result in material errors or fraud occurring and not be detected in a timely manner.

**TOWN OF REYDON, OKLAHOMA
UPDATE ON PRIOR YEAR AUDIT COMMENTS
YEAR ENDED JUNE 30, 2012**

4. Accounting Records Not Posted Timely (continued).

RECOMMENDATION - All accounting records should be posted and reconcilable accounts reconciled within 10 days after the end of each month. The Board of Trustees should review the accounting records and reconciliations to ensure they are done as part of their monthly meeting/routine.

RESPONSE - The Town will work on implementing this recommendation.

UPDATED COMMENT - The Town did not implement this recommendation. Comment repeated and revised for the 2010 audit report.