

TOWN OF REYDON, OKLAHOMA

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2013

**TOWN OF REYDON, OKLAHOMA
TOWN OFFICERS
JUNE 30, 2013**

Mr. Gary Sides

Mayor

Ms. Linda Sriver

Trustee

Mr. Jimmy Yowell

Trustee

Ms. Cathy Sasser

Town Clerk/Treasurer

TOWN OF REYDON, OKLAHOMA
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INDEPENDENT AUDITOR'S REPORT

To the Town Trustees
Town of Reydon, Oklahoma

Report On the Financial Statements

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, 2013, 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 entity's preparation and fair presentation of

the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Governmental Activities

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 effects on the assets, net position, and expenses of the governmental activities is not known. The Town also has not been appropriately recording and reconciling its utility accounts receivable and customer deposit liability transactions making it more difficult to determine the adequacy and appropriateness of the final balance. The amount by which this departure would affect the assets, liabilities, net position, and revenues of the governmental activities is not reasonably determinable.

Qualified Opinion on Governmental Activities

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, 2013, 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.

Basis for Qualified Opinion on General Fund

The Town has not been appropriately recording and reconciling its utility accounts receivable and customer deposit liability transactions making it more difficult to determine the adequacy and appropriateness of the final balance. The amount by which this departure would affect the assets, liabilities, fund

balances, and revenues of general fund is not reasonably determinable.

Qualified Opinion on General Fund

In our opinion, except for the effects of not appropriately recording and reconciling the utility accounts receivable and customer deposit liability accounts for the general fund as described above, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund of the Town of Reydon, Oklahoma, as of June 30, 2013, 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.

Unmodified Opinion on Other Opinion Units

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the respective major funds (fire and ambulance, cerna grant and senior citizen) and aggregate remaining fund information of the Town of Reydon, Oklahoma, as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. The Town has not presented the management's discussion and analysis and budget to actual information for each major fund as supplementary information required by accounting principles generally accepted in the United States of America. The Town has not prepared a budget for the fiscal year ending June 30, 2013. Our opinion on the basic financial statements is not affected by the omitted required supplementary information.

Other Information

Our audit was conducted 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. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying

accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated June 23, 2015, 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 in considering the Town's internal control over financial reporting and compliance.

McCulley & McCulley

Weatherford, Oklahoma

June 23, 2015

**TOWN OF REYDON, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2013**

	GOVERN- MENTAL ACTIVITIES
ASSETS	
Cash on Hand	\$ 200
Cash in Bank, Including Time Deposits	239,194
Accounts Receivable, Net:	
Services	555
Taxes	6,863
Intergovernmental	1,761
Prepaid Assets	2,771
Restricted Assets:	
Cash in Bank	3,385
Capital Assets	
Net of Accumulated Depreciation	77,485
TOTAL ASSETS	\$ 332,214
 LIABILITIES	
Accounts Payable	\$ 22,639
Customer Deposits	3,385
TOTAL LIABILITIES	26,024
 NET POSITION	
Net Investment in Capital Assets	77,485
Net Position:	
Restricted	29,077
Unrestricted	199,628
TOTAL NET POSITION	\$ 306,190

The accompanying notes are an integral part of these statements.

**TOWN OF REYDON, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	TOTAL
PRIMARY GOVERNMENT						
Governmental Activities:						
Office	\$ 53,527	\$	\$	\$	\$ (53,527)	\$ (53,527)
Garbage Disposal	16,783	21,465			4,682	4,682
Fire and Ambulance	15,508	7,316	4,484		(3,708)	(3,708)
Senior Citizens and Community Building	38,907	15,281	26,269		2,643	2,643
Parks	490				(490)	(490)
Depreciation Expense	19,998				(19,998)	(19,998)
Street and Alley	2,269		1,906		(363)	(363)
TOTAL GOVERNMENTAL ACTIVITIES	147,482	44,062	32,659	0	(70,761)	(70,761)
TOTAL PRIMARY GOVERNMENT	\$ 147,482	\$ 44,062	\$ 32,659	\$ 0	(70,761)	(70,761)
General Revenues						
Sales and Use Taxes					75,682	75,682
Cigarette Taxes					997	997
Intergovernmental Revenue					13,693	13,693
Franchise Taxes					379	379
Interest Income					547	547
Other Income					400	400
Transfers					0	0
Total General Revenues and Transfers					91,698	91,698
Change in Net Position					20,937	20,937
NET POSITION						
Beginning of Year					285,253	285,253
End of Year					\$ 306,190	\$ 306,190

The accompanying notes are an integral part of these statements.

**TOWN OF REYDON, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS -
MODIFIED ACCRUAL BASIS
JUNE 30, 2013**

	GENERAL 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	185,057	31,196	22,370	571	239,194
Accounts Receivable, Net:					
Services	555				555
Taxes	6,863				6,863
Intergovernmental	1,007			754	1,761
Prepaid Assets	2,771				2,771
Due from Other Funds	6,266	150		81	6,497
Restricted Cash for Customer Deposits	3,385				3,385
TOTAL ASSETS	\$ 206,004	\$ 31,346	\$ 22,470	\$ 1,406	\$ 261,226
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 15,586	\$ 3,451	\$ 3,378	\$ 224	\$ 22,639
Due to Other Funds	231		6,266		6,497
Customer Deposits	3,385				3,385
TOTAL LIABILITIES	19,202	3,451	9,644	224	32,521
 FUND BALANCES					
Nonspendable	2,771				2,771
Restricted		27,895		1,182	29,077
Assigned			12,826		12,826
Unassigned	184,031				184,031
TOTAL FUND BALANCES	186,802	27,895	12,826	1,182	228,705
TOTAL LIABILITIES AND FUND BALANCES	\$ 206,004	\$ 31,346	\$ 22,470	\$ 1,406	

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

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

77,485

Net Position of Governmental Activities

\$ 306,190

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, 2013

	GENERAL FUND	FIRE & AMBULANCE FUND	CENA GRANT & SR. CIT. FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
REVENUES					
Sales and Use Tax	\$ 75,682	\$	\$	\$	\$ 75,682
Cigarette Tax	997				997
Intergovernmental Revenue	13,693	4,484	26,269	1,906	46,352
Franchise Tax	379				379
Garbage Disposal Fees	20,460				20,460
Late Charges	1,005				1,005
Donations		7,316			7,316
Meals			14,906		14,906
Interest	484	62		1	547
Monthly Rental Income			375		375
Other Income	275		125		400
TOTAL REVENUES	<u>112,975</u>	<u>11,862</u>	<u>41,675</u>	<u>1,907</u>	<u>168,419</u>
EXPENDITURES					
Office	53,527				53,527
Garbage Disposal	16,783				16,783
Fire and Ambulance		15,508			15,508
Senior Citizens and Community Building Park	490		38,907		38,907
Capital Outlay Street and Alley			1,290	2,269	1,290
					2,269
TOTAL EXPENDITURES	<u>70,800</u>	<u>15,508</u>	<u>40,197</u>	<u>2,269</u>	<u>128,774</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>42,175</u>	<u>(3,646)</u>	<u>1,478</u>	<u>(362)</u>	<u>39,645</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	991	1,860		500	3,351
Transfers (Out)	(2,360)		(991)		(3,351)
TOTAL OTHER FINANCING	<u>(1,369)</u>	<u>1,860</u>	<u>(991)</u>	<u>500</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	<u>40,806</u>	<u>(1,786)</u>	<u>487</u>	<u>138</u>	<u>39,645</u>
FUND BALANCE					
Beginning of Year	145,996	29,681	12,339	1,044	189,060
End of Year	<u>\$ 186,802</u>	<u>\$ 27,895</u>	<u>\$ 12,826</u>	<u>\$ 1,182</u>	<u>\$ 228,705</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, 2013**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 39,645
 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.	
	<u>(18,708)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 20,937</u>

The accompanying notes are an integral part of these statements.

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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 includes 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, 2013**

1. Summary of Significant Accounting Policies (continued).

B. Basic Financial Statements.

Basic financial statements include a Statement of Net Position 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 sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Position reports all financial and capital resources of the Town. It is displayed in a format of assets less liabilities equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position are required to be displayed in three components: 1) Net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets, 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 position 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 position 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 position are available.

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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.

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.

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies (continued).

B. Basic Financial Statements (continued).

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.

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 is computed using the straight line method over the estimated useful life of the related asset.

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies (continued).

D. Capital Assets (continued).

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, 2013, \$2,983 was considered to be uncollectible.

F. Intergovernmental Revenue.

Intergovernmental revenue consists of income received from other governmental agencies. These consist 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, 2013**

1. Summary of Significant Accounting Policies (continued).

G. Fund Balance Classifications.

The following fund balance classifications have been required by the Governmental Accounting Standards Board:

Nonspendable - Amounts that are not in a spendable form or are required to be maintained intact.

Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed - Amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned - Amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned - residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies (continued).

G. Fund Balance Classifications (continued).

unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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, 2013, was covered by federal deposit insurance. The bank balance was \$242,624.

The total amount includes a Certificate of Deposit of \$25,917. 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 customer refundable deposits which have a related liability account.

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

3. Accounts Receivable, Net.

Accounts receivable consists of the following:

	Accounts Receivable	Loss Allowance	Net Amount
Services	\$ 3,538	\$(2,983)	\$ 555
Taxes	6,863		6,863
Intergovernmental	1,761		1,761
Totals	<u>\$12,162</u>	<u>\$(2,983)</u>	<u>\$ 9,179</u>

4. Capital Assets.

<u>CAPITAL ASSETS</u>	<u>Primary Government</u>			<u>Balance June 30, 2013</u>
	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>(Deletions)</u>	
Governmental-type Activities:				
Cost:				
Building Impr.	\$ 33,615	\$	\$	\$ 33,615
Infrastructure	47,280			47,280
Equipment	130,016	1,290		131,306
Less				
Accumulated Depreciation	<u>(114,719)</u>	<u>(19,998)</u>	<u>1</u>	<u>(134,716)</u>
Net Governmental- type Activ- ities	<u>\$ 96,192</u>	<u>\$(18,708)</u>	<u>\$ 1</u>	<u>\$ 77,485</u>

Depreciation expense is not allocated between functions/programs but only expended within the specific funds. Total depreciation expense is \$19,998.

**TOWN OF REYDON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

5. 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, 2013, the Town contributed \$1,860 to the Plan. The actuarial valuation report, dated July 1, 2013, 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, 2013 was 20 years.

Historical three and ten year trend information are not available.

6. 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.

**TOWN OF REYDON, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013**

7. 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, 2013, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General	\$ 991	\$(2,360)
Street and Alley Fund	500	
Cena Grant & Sr. Cit.		(991)
Fire & Ambulance Fund	<u>1,860</u>	
Totals	<u>\$ 3,351</u>	<u>\$(3,351)</u>

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF REYDON, OKLAHOMA
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2013**

	<u>GRANT FUND</u>	<u>STREET & ALLEY FUND</u>	<u>TOTAL OTHER GOVERN- MENTAL FUNDS</u>
ASSETS			
Cash in Bank	\$ 1	\$ 570	\$ 571
Accounts Receivable		754	754
Due from Other Funds		81	81
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1</u>	<u>\$ 1,405</u>	<u>\$ 1,406</u>
LIABILITIES			
Accounts Payable	\$	\$ 224	\$ 224
FUND EQUITY			
Restricted	<u>1</u>	<u>1,181</u>	<u>1,182</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1</u>	<u>\$ 1,405</u>	<u>\$ 1,406</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, 2013**

	GRANT FUND	STREET & ALLEY FUND	TOTAL OTHER GOVERN- MENTAL FUNDS
REVENUES			
Intergovernmental Revenue	\$	\$ 1,906	\$ 1,906
Interest		1	1
TOTAL REVENUES	<u>0</u>	<u>1,907</u>	<u>1,907</u>
EXPENDITURES			
Maintenance & Operations		2,269	2,269
Capital Outlay			0
TOTAL EXPENDITURES	<u>0</u>	<u>2,269</u>	<u>2,269</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>0</u>	<u>(362)</u>	<u>(362)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In		500	500
Transfers (Out)			0
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>500</u>	<u>500</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	<u>0</u>	<u>138</u>	<u>138</u>
FUND BALANCE			
Beginning of Year	1	1,043	1,044
End of Year	<u>\$ 1</u>	<u>\$ 1,181</u>	<u>\$ 1,182</u>

See the accompanying auditor's report.

McCulley



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McCulley

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, 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 governmental activities and each major fund of the Town of Reydon, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Reydon's basic financial statements and have issued our report dated June 23, 2015. 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 position. We also qualified our report for the general fund since the Town has not been appropriately recording and reconciling its utility accounts receivable and customer deposit liability transactions making it more difficult to determine the adequacy and appropriateness of the final balance. The Town has elected to omit the management discussion and analysis and budgetary information on major funds 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Reydon, Oklahoma's, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items #1, #2, #3, and #4 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.

Town of Reydon's Response to Findings

The Town of Reydon's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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

entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McCulley & McCulley

Weatherford, Oklahoma

June 23, 2015

**TOWN OF REYDON, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

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. We 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 and bill reversals 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, 2013**

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 in prior years. 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, 2013**

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 make 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 reports total assets equaled the sum of the total liabilities plus fund balance. One fund contained numerous errors for the year ending June 30, 2010 and 2011. All other funds contained some errors. Accounting records for the bank accounts have not been posted properly and reconciled to the bank statements monthly. The new checking account for customer deposits was not posted to the accounting records. 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, 2013**

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. The Town did not know then how to open a new general ledger account but do now. The new checking account for customer deposits has been put on the system now. The Town will work on implementing the remainder of the recommendation.

5. Violation of State Budgeting Laws.

CONDITION AND EFFECT - The Town has not filed its estimate of needs for fiscal years 2011 through 2014 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. The Town filed fiscal year 2015 estimate of needs timely with the county.

**TOWN OF REYDON, OKLAHOMA
UPDATE ON PRIOR YEAR AUDIT COMMENTS
YEAR ENDED JUNE 30, 2013**

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.

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 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 and bill reversals 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, 2013**

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 2013 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 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

**TOWN OF REYDON, OKLAHOMA
UPDATE ON PRIOR YEAR AUDIT COMMENTS
YEAR ENDED JUNE 30, 2013**

3. Customer Deposits Held (continued).

customer was refunded his deposit twice in prior years. 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.

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, with the exception of opening a checking account and transferring the savings balance to the checking account. Comment repeated and revised for the 2013 audit report.

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, 2010 and 2011. All other funds contained some errors. Accounting records for the bank accounts have not been posted properly and reconciled to the bank statements monthly.

**TOWN OF REYDON, OKLAHOMA
UPDATE ON PRIOR YEAR AUDIT COMMENTS
YEAR ENDED JUNE 30, 2013**

4. Accounting Records Not Posted Timely (continued).

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.

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.

UPDATED COMMENT - The Town did not implement this recommendation. Comment repeated and revised for the 2013 audit report.

5. Violation of State Budgeting Laws.

CONDITION AND EFFECT - The Town has not filed its estimate of needs for fiscal years 2011, 2012 and 2013 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.

UPDATED COMMENT - The Town did not implement this recommendation. The Town did file an estimate of needs for fiscal 2015. Comment repeated and revised for the 2013 audit report.