

ACCOUNTANT'S AUDIT REPORT

TOWN OF TIPTON

JUNE 30, 2011

BY



FURRH
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Town of Tipton
Tipton, Oklahoma
Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Town of Tipton
Tipton, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tipton, Oklahoma (the Town), as of and for the year ended June 30, 2011, 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 3, the Town prepares its financial statements on the modified cash basis for governmental activities and the modified accrual basis for the enterprise funds which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position (modified cash basis) of the governmental activities, the business-type activities (modified accrual basis), each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2011, and the respective changes in financial position (modified cash basis), thereof for the year then ended in conformity with the basis of accounting described in Note 3.

The budgetary comparison information and related notes are not a required part of the basic financial statements but are supplementary information required to accompany those financial statements. The Schedule of Revenue, Expenditures and Changes in Fund Balance for the Special Revenue Funds are other supplemental information. Such information has been

subjected to the auditing procedures applied in the examination of the basic financial statements, and, in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards we have also issued a report dated June 16, 2013, on our consideration of the Town'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 read in conjunction with this report in considering the results of our audit.

The Town has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that they have determined is necessary to supplement, although not required to be part of, the basic financial statements.



FURRH & ASSOCIATES, PC

Certified Public Accountants

June 16, 2013

Town of Tipton, OK

Statement of Net Assets (Modified Accrual Basis)

June 30, 2011

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 38,904	\$ 28,796	\$ 67,700
Investments	0	91,268	91,268
Capital Assets, Net of Accum. Depr.	182,037	1,683,698	1,865,735
Bond Issue Costs, Net of Accum. Amort.	0	6,597	6,597
Total Assets	<u>\$ 220,941</u>	<u>\$ 1,810,359</u>	<u>\$ 2,031,300</u>
<u>Liabilities</u>			
Note Payable	0	395,784	395,784
Bonds Payable	0	110,170	110,170
Payroll Taxes Payable	3,189	0	3,189
Accrued Interest Payable	0	777	777
Total Liabilities	3,189	506,731	509,920
<u>Net assets</u>			
Invested in Capital, Net of Related Debt	182,037	1,287,914	1,469,951
Restricted	0	78,069	78,069
Unrestricted	35,715	(62,355)	(26,640)
Total Net Assets	<u>217,752</u>	<u>1,303,628</u>	<u>1,521,380</u>
Total Liabilities and Net Assets	<u>\$ 220,941</u>	<u>\$ 1,810,359</u>	<u>\$ 2,031,300</u>

Please see accompanying notes to the financial statements.

Town of Tipton, OK
Balance Sheet
(Modified Cash Basis)
Governmental Funds
June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 17,044	\$ 21,860	\$ 38,904
Investments	0	0	0
Total Assets	\$ 17,044	\$ 21,860	\$ 38,904
<u>Liabilities and Fund Balances</u>			
Payroll Taxes Payable	\$ 3,189	0	3,189
Total Liabilities	3,189	0	3,189
Fund Balances			
Unreserved	13,855	21,860	35,715
Total Liabilities and Fund Balances	\$ 17,044	\$ 21,860	

Reconciliation to Statement of Net Assets

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

Capital Assets used in governmental activities of \$233,037, Net of Accumulated Depreciation of \$51,000, are not financial resources and, therefore, are not reported in the funds.

	182,037
<u>Net Assets of Governmental Activities</u>	\$ 217,752

Please see accompanying notes to the financial statements.

Town of Tipton, OK
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Governmental Funds
Year Ended June 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>			
Taxes	\$ 133,302	\$ 17,591	\$ 150,893
Miscellaneous	12,392	0	12,392
Charges for Services	850	6,365	7,215
Cemetery Revenue	0	5,650	5,650
Fines and Forfeitures	0	3,078	3,078
Contributions	0	225	225
Investment Income	8	0	8
Total Revenue	146,552	32,909	179,461
<u>Expenditures</u>			
General Government:			
Personnel Services	62,731	0	62,731
Materials and Supplies	97,949	0	97,949
Municipal Court	0	6,664	6,664
Cemetery	0	7,158	7,158
Street and Public Works	0	7,776	7,776
Swimming Pool	0	4,398	4,398
Total Expenditures	160,680	25,996	186,676
Revenue Over (Under) Expenditures	(14,128)	6,913	(7,215)
<u>Other Financing Sources (Uses)</u>			
Grant Revenue	25,000	0	25,000
Grant Expenditures	(52,991)	0	(52,991)
Transfers In	64,510	3,487	67,997
Transfers Out	(48,733)	(18,200)	(66,933)
Total Other Financing Sources (Uses)	(12,214)	(14,713)	(26,927)
<u>Net Changes in Fund Balance</u>	(26,342)	(7,800)	(34,142)
<u>Fund Balance, June 30, 2010</u>	40,197	29,660	69,857
<u>Fund Balance, June 30, 2011</u>	<u>\$ 13,855</u>	<u>\$ 21,860</u>	<u>\$ 35,715</u>

Please see accompanying notes to financial statements.

Town of Tipton, OK

Enterprise Funds

Statement of Net Assets

(Modified Accrual Basis)

Year Ended June 30, 2011

	<u>Tipton Public Works Authority</u>	<u>Tipton Airport Authority</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 13,402	\$ 15,394	\$ 28,796
Cash - Restricted	78,069	13,199	91,268
Total Current Assets	91,471	28,593	120,064
Noncurrent Assets			
Capital Assets	2,360,661	95,869	2,456,530
Accumulated Depreciation	(770,025)	(2,807)	(772,832)
Total Noncurrent Assets	1,590,636	93,062	1,683,698
Other Assets			
Bond Issue Costs, Net of Amortization	6,597	0	6,597
Total Net Assets and Liabilities	<u>\$ 1,688,704</u>	<u>\$ 121,655</u>	<u>\$ 1,810,359</u>
<u>LIABILITIES</u>			
Current Liabilities			
Bonds Payable - Current Portion	\$ 12,410	\$ 0	\$ 12,410
Notes Payable - Current Portion	14,738	0	14,738
Accrued Interest Payable	777	0	777
Total Current Liabilities	27,925	0	27,925
Long Term Liabilities			
Bonds Payable	97,760	0	97,760
Notes Payable	381,046	0	381,046
Total Long Term Liabilities	478,806	0	478,806
Total Liabilities	506,731	0	506,731
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Debt	1,194,852	93,062	1,287,914
Restricted	78,069	0	78,069
Unrestricted	(90,948)	28,593	(62,355)
Total Net Assets	<u>1,181,973</u>	<u>121,655</u>	<u>1,303,628</u>
Total Net Assets and Liabilities	<u>\$ 1,688,704</u>	<u>\$ 121,655</u>	<u>\$ 1,810,359</u>

Please see accompanying notes to the financial statements.

Town of Tipton, OK
Enterprise Funds
Statement of Revenue, Expense, and Changes in Fund Net Assets
(Modified Accrual Basis)
Year Ended June 30, 2011

	Tipton Public Works Authority	Tipton Airport Authority	Total
<u>Operating Revenue</u>			
Water Revenue Charges	\$ 185,302	\$ 0	\$ 185,302
Sewer Waste Charges	51,941	0	51,941
Garbage Revenue Charges	42,901	0	42,901
Airport Revenue	0	20,721	20,721
Miscellaneous Revenue	17,399	0	17,399
Total Operating Revenue	<u>297,543</u>	<u>20,721</u>	<u>318,264</u>
<u>Operating Expense</u>			
Personnel Expenses	148,302	8,820	157,122
Depreciation	50,906	401	51,307
Supplies, Maintenance and Repairs	50,753	250	51,003
Water Purchase	23,819	0	23,819
Interest Expense	20,724	0	20,724
Vehicle Expense	18,378	0	18,378
Utilities	17,556	363	17,919
Miscellaneous Expense	11,249	0	11,249
Total Operating Expense	<u>341,687</u>	<u>9,834</u>	<u>351,521</u>
Net Operating Revenue (Loss)	(44,144)	10,887	(33,257)
<u>Nonoperating Revenue (Expense)</u>			
Interest Income	209	132	341
Transfers to Town of Tipton	(18,110)	(28,200)	(46,310)
Transfers from Town of Tipton	45,246	0	45,246
Net Nonoperating Revenue (Loss)	<u>27,345</u>	<u>(28,068)</u>	<u>(723)</u>
Net Revenue (Loss)	(16,799)	(17,181)	(33,980)
<u>Total Net Assets, June 30, 2010</u>	<u>1,198,772</u>	<u>138,836</u>	<u>1,337,608</u>
<u>Total Net Assets, June 30, 2011</u>	<u>\$ 1,181,973</u>	<u>\$ 121,655</u>	<u>\$ 1,303,628</u>

Please see accompanying notes to the financial statements.

Town of Tipton, OK

Enterprise Funds

Statement of Cash Flows

(Modified Accrual Basis)

Year Ended June 30, 2011

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>	Tipton Public Works Authority	Tipton Airport Authority	Total
Net Income	\$ 77,112	\$ 10,887	\$ 87,999
Adj. to Reconcile Operating Inc. to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	50,906	401	51,307
Increase (Decrease) in Accrued Interest Payable	777	0	777
Net Cash Provided by Operating Activities	128,795	11,288	140,083
 <u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Paid on Capital Debt	(21,601)	0	(21,601)
Net Transfers between funds	(94,120)	(28,200)	(122,320)
Net Cash Provided (Used) by Capital and Related Financing Activities	(115,721)	(28,200)	(143,921)
 <u>Cash Flows from Investing and Related Financing Activities</u>			
Interest Income	209	132	341
Net Cash Provided (Used) by Investing and Related Financing Activities	209	132	341
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	13,283	(16,780)	(3,497)
<u>Cash and Cash Equivalents, June 30, 2010</u>	78,188	45,373	123,561
<u>Cash and Cash Equivalents, June 30, 2011</u>	\$ 91,471	\$ 28,593	\$ 120,064
 <u>Cash Flows from Operating Activities</u>			
Receipts from Customers	297,543	20,721	318,264
Payments to Suppliers	(141,702)	(613)	(142,315)
Payments to Employees	(27,046)	(8,820)	(35,866)
Net Cash Provided by Operating Activities	\$ 128,795	\$ 11,288	\$ 140,083

Please see accompanying notes to the financial statements.

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1 - Summary of Significant Accounting Policies

For financial reporting purposes the Town of Tipton, Oklahoma (the Town), includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent on the Town's executive or legislative branches. Control by or dependence on the Town was determined on the basis of oversight responsibility, scope of public service, and special financing relationships. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on an overall evaluation of the foregoing criteria, the Tipton Public Works Authority (the Authority) is included in the Town's annual report. The Authority is a public trust created under Title 60 of the Oklahoma Statutes. The Town is sole beneficiary of the trust which was organized to provide gas utility services to the residents of the Town. The Authority's governing body is the current members of the Town's Board of Trustees. The Authority is accounted for as the Town's Enterprise Fund in these financial statements.

Note 2 -Fund Accounting

The accounts of the Town are organized on a basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the financial statements and are classified as governmental, proprietary, and fiduciary fund types. The following fund types are used by the Town.

1. Governmental Fund Types

(a) General Fund

The General Fund is the primary operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. All general operating revenues not restricted as to use are recorded in the General Fund.

(b) Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally or administratively restricted to expenditures for specific purposes. The only special revenue fund is the Street and Alley Fund.

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

2. Proprietary Fund Types

(c) Enterprise Fund

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The Tipton Public Works Authority and the Airport Fund are accounted for as the Town's Enterprise Funds. The Tipton Public Works Authority provides water, wastewater, and sanitation services to the public. The Airport Fund owns and leases land for agricultural purposes and provides facilities for aircraft owners and users.

Note 3 - Basis of Accounting

The Town uses the modified cash basis of accounting for its governmental funds for preparing its financial statements. Generally accepted accounting principles would require the Town to use the accrual basis of accounting and to report its assets and infrastructures in its financial statements. The Town has elected to not follow generally accepted accounting principles and to continue to use the modified cash basis of accounting.

Basis of accounting refers to the time when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement made, regardless of the measurement focus applied.

The modified cash basis of accounting is utilized by all governmental type funds of the Town, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this modified cash basis of accounting, revenues are recorded when received and expenditures are recorded when paid. In accordance with generally accepted accounting principles, governmental fund types and agency funds would utilize the modified accrual basis of accounting.

The accounting records of the Enterprise Fund are kept on a modified accrual basis of accounting, under which customer revenues are recorded when measurable and billable, other revenues are recorded when received, and expenses are recorded when the liability is incurred. Uncollectible accounts receivable are charged to provision for bad debts at the time the accounts are estimated to be uncollectible, based upon an age analysis of the accounts.

If the books of the governmental fund types were maintained on the basis of accounting required by generally accepted accounting principles, revenues would be recorded when susceptible to accrual (i.e. both measurable and available) and expenditures would be recorded when the current fund liability is incurred. If the books of the proprietary fund types were maintained on the basis of accounting required by generally accepted accounting principles, revenues would be recognized when earned and expenses would be recorded when the liability is incurred.

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

The modified cash basis of accounting is an acceptable method of accounting under the budgetary laws of the State of Oklahoma.

Note 4 - Reserves of Fund Equity

Reserves are recorded to signify that a portion of the fund equity is legally segregated for future use or is not available for appropriation or expenditure.

Note 5 - Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) to be cash equivalents.

Certificates of deposit and other time deposits with a maturity or availability date of 90 days or less are considered cash equivalents.

Cash and Cash Equivalents as of June 30, 2011 are as follows:

First National Bank Altus, OK	
Tipton Public Works Authority- Reserve	36,663
Tipton Public Works Authority- Meter Deposits	27,227
Airport Rental Fund - Checking	15,394
Tipton PWA Sinking Fund - Checking	14,179
Tipton Public Works Authority- Checking	13,402
Airport Rule Breaker - Checking	13,199
General Fund - Checking	10,345
Street and Alley Fund - Checking	8,611
Cemetery Care Fund - Checking	6,162
General Fund - Payroll Account	3,626
Swimming Pool Fund - Checking	3,020
Street Lighting Reserve - Checking	2,995
Insurance - Checking	1,948
Worker's Compensation - Checking	1,125
Municipal Court Fund - Checking	1,072
	1,072
Total	\$ 158,968

The cash on deposit with the First State Bank of Altus, Oklahoma, is covered by F.D.I.C. insurance (up to \$250,000.00).

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Oklahoma statutes generally provide for investment of excess funds in the following:

1. Direct obligations of the United States Government.
2. Certificates of deposit of savings and loan associations, banks, and trust companies when the certificates of deposit are secured by acceptable collateral.
3. Savings accounts or savings certificates of savings and loan associations, banks, and trust companies, to the extent that the accounts or certificates are fully insured by the Federal Government.
4. Negotiable certificates of deposits, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments must be fully collateralized in investments specified in paragraphs 1 through 3 above.

Public trusts, such as the Tipton Public Works Authority, may invest funds as directed by the trustees. The limitations noted above do not apply.

The Oklahoma statutes generally provide that collateral to secure deposits of public funds must be:

1. U.S. Treasury bonds, notes or certificates.
2. State of Oklahoma bonds, notes or certificates.
3. Bonds issued by any county in Oklahoma.
4. Bonds issued by any school district or board of education in Oklahoma.
5. Bonds issued by any city or town where an ad valorem tax levy is pledged to the payment.
6. A surety bond.

Note 6 -Fixed Assets

Prior year expenditures for property and equipment of governmental fund types were recorded as fund expenditures; however, no detailed fixed asset records were maintained for such assets still in service.

Beginning in the year 2004/2005, in accordance with Governmental Accounting Standards Board Statement No. 34, the Town reports capital assets resulting from cash transactions and reports depreciation where appropriate.

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

	Fixed Assets	Accumulated Depreciation
Balance, July 1, 2010	\$ 231,483	\$ 42,508
Additions	1,554	8,492
Total	233,037	51,000
Disposals	0	0
Balance, June 30, 2011	\$ 233,037	\$ 51,000

Depreciation rates were applied as follows:

Buildings and Streets	2.50% - 5.00%
Equipment	10.0% - 20.0%

Depreciation for the current year was \$8,492, which was charged against governmental operations.

Certain fixed assets acquired by the Enterprise Fund have been capitalized as property and equipment within the Fund, and contain a provision for depreciation expense. Depreciation has been provided over the estimated useful lives using the straight-line method.

Changes in fixed assets of the Enterprise Funds during the year ended June 30, 2011, were as follows:

	Fixed Assets	Accumulated Depreciation
Balance, July 1, 2010	\$ 2,456,530	\$ 722,367
Additions	0	50,465
Total	2,456,530	772,832
Disposals	0	0
Balance, June 30, 2011	\$ 2,456,530	\$ 772,832

Depreciation rates were applied as follows:

Machinery and Equipment	14.00% - 25.00%
Water System	2.00% - 2.50%

Depreciation for the current year was \$51,307, which was charged to current operations.

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

The Town and Authority have adopted a capitalization policy of recording only items costing \$500 or more per unit for depreciation purposes.

Note 7 - Inventories

The Town records materials and supplies inventory as expenditures at the time the inventory is purchased and at year-end such inventories are not considered material in amount. Therefore, no inventory balances for materials and supplies not yet consumed are reported in the basic financial statements.

Note 8 - Budgetary Accounting and Control

The Town's budgetary accounting and control procedures are discussed in the notes to supplementary information.

Note 9 - Compensated Absences

Under personnel policies, the Town and Authority employees are granted vacation and sick leave in varying amounts. In addition, the employees are allowed to accumulate up to 325 days sick leave. In the event of termination, an employee is not paid for accumulated sick leave. Vacation must be taken each year. The Town records compensated absence costs at the time the claim is paid. At June 30, 2011, the Town and the Authority had a combined unrecorded compensated absence liability of approximately \$9,048.

Note 10 - Pension

Effective January 1, 1996, the Town sponsored an employee retirement plan through the Oklahoma Municipal Retirement System. Employees of the Authority are included in the plan. Eligible employees include all regular, full-time employees except any policemen, firemen, and any other employees covered under a state retirement system. Eligible employees must be less than age 60 at date of hire. All eligible employees are required to participate in the plan as a condition of employment. Employees are fully vested in the plan after five (5) years of vesting service. Benefits are computed at 1.125% of final average compensation multiplied by the number of years of credited service. Final average compensation is the average of the five highest consecutive annual salaries out of the last ten calendar years of service. Normal retirement age is age 65 or completion of vesting service, if later.

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The pension benefit obligation of expected benefits as computed by Dean and Company, Consulting Actuaries, was as follows:

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Actuarial Liability	\$	94,095
Value of Assets Available for Benefits at 12/31/11		83,260
Underfunded Pension Benefit Obligation	\$	10,835

Plan contributions for the year 2010/2011 were 3.78% of gross payroll of eligible employees; 1.50% from employees through payroll deductions, and 2.28% employer matching contributions.

The covered payroll for the period 7/1/10-6/30/11 was approximately \$140,011. Covered payroll refers to all compensation paid by the Town to active employees covered by the plan on which contributions are based.

The actuarial report can be obtained from:

Dean Actuaries, LLC
5646 Milton Street, Suite 210
Dallas, Texas 75206

Note 11 - General Long-Term Debt

The Authority was liable under a long-term loan agreement with United States Department of Agriculture. The balance under the original contract was payable in monthly installments of \$2848. The principal balance due on June 30, 2011, was \$395,784.

Changes in total long-term debt for the current year were as follows:

Balance, June 30, 2010	\$	409,805
Less, Principal Payments		(14,021)
Balance, June 30, 2011	\$	395,784

The principal maturities for the succeeding five years and thereafter on the long-term debt will be approximately as follows:

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2012	\$ 14,738	\$ 19,438	\$ 34,176
June 30, 2013	15,492	18,684	34,176
June 30, 2014	16,285	17,891	34,176
June 30, 2015	17,118	17,058	34,176
June 30, 2016	19,931	14,245	34,176
Remaining Years	312,220	108,738	420,958
 Total	 <u>\$ 395,784</u>	 <u>\$ 196,054</u>	 <u>\$ 591,838</u>

The Authority has entered into an agreement to borrow \$135,000 on Sales Tax Revenue Note, Series 2009. Payments began December 31, 2009 with a principal installment of \$7,330, and semi-annual installments thereafter until paid in full on June 1, 2018. The note bears interest at the rate of 3.99% until June 1, 2010, and 4.99% thereafter until maturity. The note is secured by a pledge of the proceeds of a one-percent (1%) sales tax which expires on October 1, 2018.

The amount required to retire the indebtedness for each of the next five years and for each five year period until maturity is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2012	\$ 12,410	\$ 5,345	\$ 17,755
June 30, 2013	13,050	4,717	17,767
June 30, 2014	13,730	4,058	17,788
June 30, 2015	14,420	3,004	17,424
June 30, 2016	15,160	2,266	17,426
Remaining Years	41,400	1,632	43,032
 Total	 <u>\$ 110,170</u>	 <u>\$ 21,022</u>	 <u>\$ 131,192</u>

Note 12 – Risk Management

The Town and the Authority are exposed to various risks of loss related to torts; theft of; damage to; or destruction of assets; errors and omission; injuries to employees; and natural disasters. The Town manages these various risks of loss by purchasing the following insurance coverage.

- Workers Compensation and Employer Liability
- Comprehensive General Liability
- Comprehensive Auto Liability
- Buildings and Contents Property Damage
- Automobile Physical Damage
- Equipment Physical Damage

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Fire Equipment Liability and Physical Damage
Fire Vehicle Liability
Public Official Position Bonds

In doing so, each incidence may have a nominal deductible amount that is uninsured, but no material risk of loss is retained.



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

Board of Trustees
Town of Tipton
Tipton, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tipton, Oklahoma (the Town), as of and for the year ended June 30, 2011, and have issued our report thereon dated June 16, 2013. The Town did not present a Management's Discussion and Analysis as required by GASB Statement No. 34. The financial statements were prepared on the modified cash basis of accounting for governmental activities and the modified accrual basis for the enterprise fund, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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'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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of management and regulatory authorities and is not intended to be and should not be used by anyone other than these specified parties.



FURRH & ASSOCIATES, PC

Certified Public Accountants

June 16, 2013

Town of Tipton, OK
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2011

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
Grant Revenue	\$ 109,025	\$ 25,000	\$ 84,025
Sales Tax	55,685	102,464	(46,779)
Franchise Tax	13,550	12,136	1,414
Alcohol Beverage Tax	9,710	11,335	(1,625)
Miscellaneous Revenue	9,290	12,392	(3,102)
Use Tax	5,865	5,912	(47)
Court Fines	4,830	0	4,830
Tobacco Tax	745	1,455	(710)
Airport Security Income	600	850	(250)
Dues, Donations, Fund Raising	90	0	90
Interest Earned	40	8	32
	<u>209,430</u>	<u>171,552</u>	<u>37,878</u>
<u>Expenditures</u>			
General Government			
Personnel Services	38,840	62,731	(23,891)
Materials and Supplies	67,025	97,949	(30,924)
Capital Outlay / Grant Expenses	116,565	52,991	63,574
Total Expenditures	<u>222,430</u>	<u>213,671</u>	<u>8,759</u>
<u>Revenue Over (Under) Expenditures</u>	(13,000)	(42,119)	29,119
<u>Other Financing Sources (Uses)</u>			
Transfer Out	(20,000)	(48,733)	28,733
Transfer In	8,000	64,510	(56,510)
Total Other Financing Sources (Uses)	<u>(12,000)</u>	<u>15,777</u>	<u>(27,777)</u>
<u>Revenue and Other Sources Over (Under) Expenditures and Other Uses</u>	(25,000)	(26,342)	1,342
<u>Fund Balance, June 30, 2010</u>	<u>25,000</u>	<u>40,197</u>	<u>(15,197)</u>
<u>Fund Balance, June 30, 2011</u>	<u>\$ 0</u>	<u>13,855</u>	<u>\$ (13,855)</u>

Please see accompanying notes to the financial statements.

Town of Tipton, OK
Notes to Required Supplemental Information
Year Ended June 30, 2011

Note 1 - Notes to Required Supplemental Information

The Town's annual operating budget represents appropriations as authorized by the Governing Board in accordance with the provisions of the Oklahoma statutes.

The Town operates under the guidelines of the "Municipal Budget Act" which allows the Governing Board to prepare its budgets based upon its estimated revenue. In addition, revisions may be made to the budget throughout the year as authorized by the Governing Board. The legal level of control of the budget is the expenditure category. The expenditure categories required by the applicable state statutes are:

1. Personal Services
2. Maintenance and Operations
3. Other Services and Charges
4. Capital Outlays
5. Debt Service

It is the Town's policy that all appropriations lapse at the end of the fiscal year.

The Town prepares an annual operating budget for its General Fund and Special Revenue Funds. The operating budgets of the grants cover the period designated in the grant documents. The Town prepares its annual operating budget on the modified cash basis of accounting, the same basis used to account for actual revenues and expenditures.

Town of Tipton, OK
Nonmajor Governmental Funds
Balance Sheet
(Modified Cash Basis)
June 30, 2011

	<u>Street and Alley Fund</u>	<u>Street Lights Fund</u>	<u>Municipal Court Fund</u>	<u>Cemetery Care Fund</u>	<u>Swimming Pool</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>						
Cash in Bank	\$ 8,611	\$ 2,995	\$ 1,072	\$ 6,162	\$ 3,020	\$ 21,860
Due from Other Funds	0	0	0	0	0	0
Total Assets	<u>\$ 8,611</u>	<u>\$ 2,995</u>	<u>\$ 1,072</u>	<u>\$ 6,162</u>	<u>\$ 3,020</u>	<u>\$ 21,860</u>
<u>Liabilities</u>						
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fund Equity</u>						
Fund Balance:						
Unreserved	<u>8,611</u>	<u>2,995</u>	<u>1,072</u>	<u>6,162</u>	<u>3,020</u>	<u>21,860</u>
Total Liabilities and Fund Equity	<u>\$ 8,611</u>	<u>\$ 2,995</u>	<u>\$ 1,072</u>	<u>\$ 6,162</u>	<u>\$ 3,020</u>	<u>\$ 21,860</u>

Please see accompanying notes to the financial statements.

Town of Tipton, OK

Nonmajor Governmental Funds

Schedule of Revenue, Expenditures, and Changes in Fund Balance

(Modified Cash Basis)

Year Ended June 30, 2011

	Municipal				Total Nonmajor Governmental Funds
	Street and Alley Fund	Street Lights Fund	Court Fund	Cemetery Care Fund	
Revenue					
Cemetery Revenue	\$ 0	\$ 0	\$ 0	\$ 5,650	\$ 5,650
Contributions	0	0	0	225	225
Motor Vehicle Tax	6,556	0	0	0	6,556
Franchise Revenue	0	11,035	0	0	11,035
Fines	0	0	3,078	0	3,078
Pool Revenue	0	0	0	6,365	6,365
Transfers In	0	187	800	0	3,487
Total Revenue	6,556	11,222	3,878	5,875	36,396
Expenditures					
Personnel Services	0	0	6,397	0	10,745
Other Services and Charges	2,351	5,425	267	7,158	15,251
Capital Outlay	0	0	0	0	0
Transfers Out	7,500	7,000	0	2,700	18,200
Total Expenditures	9,851	12,425	6,664	9,858	44,196
Revenue Over (Under) Expenditures	(3,295)	(1,203)	(2,786)	(3,983)	(7,800)
Fund Balance, June 30, 2010	11,906	4,198	3,858	10,145	29,660
Fund Balance, June 30, 2011	\$ 8,611	\$ 2,995	\$ 1,072	\$ 6,162	\$ 21,860

Please see accompanying notes to the financial statements.

Town of Tipton, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2011

	Street and Alley Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Motor Vehicle Tax	\$ 7,862	\$ 6,556	\$ 1,306
Miscellaneous Revenue	0	0	0
Total Revenue	7,862	6,556	1,306
<u>Expenditures</u>			
Materials and Supplies	5,814	2,351	3,463
Capital Outlay	2,048	0	2,048
Transfers Out	10,000	7,500	2,500
Total Expenditures	17,862	9,851	8,011
		0	
<u>Revenue Over (Under) Expenditures</u>	(10,000)	(3,295)	(6,705)
<u>Fund Balance, June 30, 2010</u>	10,000	11,906	(1,906)
<u>Fund Balance, June 30, 2011</u>	\$ 0	\$ 8,611	\$ (8,611)

Please see accompanying notes to the financial statements.

Town of Tipton, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2011

	Street Lights Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Franchise Revenue	\$ 7,000	\$ 11,035	\$ (4,035)
Transfers In	0	187	(187)
Total Revenue	7,000	11,222	(4,222)
<u>Expenditures</u>			
Materials and Supplies	4,000	5,425	(1,425)
Capital Outlay	0	0	0
Transfers Out	7,000	7,000	0
Total Expenditures	11,000	12,425	(1,425)
		0	
<u>Revenue Over (Under) Expenditures</u>	(4,000)	(1,203)	(2,797)
<u>Fund Balance, June 30, 2010</u>	4,000	4,198	(198)
<u>Fund Balance, June 30, 2011</u>	\$ 0	\$ 2,995	\$ (2,995)

Please see accompanying notes to the financial statements.

Town of Tipton, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2011

	Municipal Court Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Fines	\$ 3,000	\$ 3,078	\$ (78)
Transfers In	0	800	(800)
Total Revenue	3,000	3,878	(878)
<u>Expenditures</u>			
Personnel Services	6,000	6,397	(397)
Materials and Supplies	0	267	(267)
Capital Outlay	0	0	0
Transfers Out	0	0	0
Total Expenditures	6,000	6,664	(664)
<u>Revenue Over (Under) Expenditures</u>	(3,000)	(2,786)	(214)
<u>Fund Balance, June 30, 2010</u>	3,000	3,858	(858)
<u>Fund Balance, June 30, 2011</u>	\$ 0	\$ 1,072	\$ (1,072)

Please see accompanying notes to the financial statements.

Town of Tipton, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2011

	Cemetery Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Cemetery Revenue	\$ 6,230	\$ 5,650	\$ 580
Donations	50	225	(175)
Transfers In	0	0	0
	6,280	5,875	405
<u>Expenditures</u>			
Materials and Supplies	7,780	7,158	622
Capital Outlay	6,000	0	6,000
Transfers Out	2,500	2,700	(200)
	16,280	9,858	6,422
		0	
<u>Revenue Over (Under) Expenditures</u>	(10,000)	(3,983)	(6,017)
<u>Fund Balance, June 30, 2010</u>	10,000	10,145	(145)
<u>Fund Balance, June 30, 2011</u>	\$ 0	\$ 6,162	\$ (6,162)

Please see accompanying notes to the financial statements.

Town of Tipton, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2011

	Swimming Pool Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Pool Revenue	\$ 6,000	\$ 6,365	\$ (365)
Transfers In	0	2,500	(2,500)
Total Revenue	6,000	8,865	(2,865)
<u>Expenditures</u>			
Materials and Supplies	4,000	4,398	(398)
Capital Outlay	0	0	0
Transfers Out	2,000	1,000	1,000
Total Expenditures	6,000	5,398	602
		0	
<u>Revenue Over (Under) Expenditures</u>	0	3,467	(3,467)
<u>Fund Balance, June 30, 2010</u>	0	(447)	447
<u>Fund Balance, June 30, 2011</u>	\$ 0	\$ 3,020	\$ (3,020)

Please see accompanying notes to the financial statements.

Town of Tipton, OK
REAP Grant Contract No. Tipton-08
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2011

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total Contract</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>					
Grant Revenue	\$ 45,000	\$ 45,000	\$ 0	\$ 45,000	\$ 0
Matching Funds	3,000		4,300	4,300	(1,300)
Total Revenue	48,000	45,000	4,300	49,300	(1,300)
<u>Expenditures</u>					
Senior Citizen Center Repairs	45,000	31,944	13,056	45,000	0
Administrative Costs	3,000	0	4,300	4,300	(1,300)
Total Expenditures	48,000	31,944	17,356	49,300	(1,300)
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 13,056</u>	<u>\$ (13,056)</u>	<u>\$ 0</u>	<u>\$ 0</u>

Please see accompanying notes to the financial statements.

Town of Tipton, OK
REAP Grant Contract No. 13119 CDBG 08
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2011

<u>Revenue</u>	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total Contract</u>	<u>(Over) Under Budget</u>
Grant Revenue	\$ 102,000	\$ 0	\$ 25,000	\$ 25,000	\$ 77,000
Matching Funds	48,000	48,000	0	48,000	0
Total Revenue	<u>150,000</u>	<u>48,000</u>	<u>25,000</u>	<u>73,000</u>	<u>77,000</u>
<u>Expenditures</u>					
Senior Citizen Center Repairs	145,000	31,944	37,643	69,587	75,413
Administrative Costs	5,000	3,000	0	3,000	2,000
Total Expenditures	<u>150,000</u>	<u>34,944</u>	<u>37,643</u>	<u>72,587</u>	<u>77,413</u>
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 13,056</u>	<u>\$ (12,643)</u>	<u>\$ 413</u>	<u>\$ (413)</u>

Funding Period: 05/15/2008 - 02/28/2011

Please see accompanying notes to the financial statements.