

ACCOUNTANT'S AUDIT REPORT

TOWN OF TIPTON

JUNE 30, 2013

BY



FURRH
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Town of Tipton
Tipton, Oklahoma
Year Ended June 30, 2013

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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, 2013, and the related notes to the financial statements, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities (modified accrual

basis), each major fund, and the aggregate remaining fund information of the town of Tipton, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting as described in Note 3.

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. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Other Information

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 fund which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2014, on our consideration of the Town of Tipton's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



FURRH & ASSOCIATES, PC
Certified Public Accountants
January 14, 2014

Town of Tipton, OK

Statement of Net Assets

(Modified Accrual Basis)

June 30, 2013

	Primary Government		
	Governmental	Business Type	Total
	Activities	Activities	
Assets			
Cash and Cash Equivalents	\$ 148,084	\$ 94,469	\$ 242,553
Capital Assets, Net of Accum. Depr.	191,400	1,582,768	1,774,168
Bond Issue Costs, Net of Accum. Amort.	0	4,913	4,913
Total Assets	<u>\$ 339,484</u>	<u>\$ 1,682,150</u>	<u>\$ 2,021,634</u>
Liabilities			
Note Payable	0	365,283	365,283
Bonds Payable	0	84,710	84,710
Payroll Taxes Payable	5,005	0	5,005
Accrued Interest Payable	0	0	0
Total Liabilities	5,005	449,993	454,998
Net assets			
Invested in Capital, Net of Related Debt	191,400	1,217,485	1,408,885
Restricted	0	37,900	37,900
Unrestricted	143,079	(23,228)	119,851
Total Net Assets	<u>334,479</u>	<u>1,232,157</u>	<u>1,566,636</u>
Total Liabilities and Net Assets	<u>\$ 339,484</u>	<u>\$ 1,682,150</u>	<u>\$ 2,021,634</u>

Please see accompanying notes to the financial statements.

Town of Tipton, OK
Balance Sheet
(Modified Cash Basis)
Governmental Funds
June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 128,574	\$ 19,510	\$ 148,084
Investments	0	0	0
Total Assets	\$ 128,574	\$ 19,510	\$ 148,084
<u>Liabilities and Fund Balances</u>			
Payroll Taxes Payable	\$ 5,005	0	5,005
Total Liabilities	5,005	0	5,005
Fund Balances			
Unreserved	123,569	19,510	143,079
Total Liabilities and Fund Balances	\$ 128,574	\$ 19,510	

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 \$242,628, Net of Accumulated Depreciation of \$51,228, are not financial resources and, therefore, are not reported in the funds.

	191,400
<u>Net Assets of Governmental Activities</u>	\$ 334,479

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, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>			
Taxes	\$ 357,147	\$ 17,827	\$ 374,974
Miscellaneous	2,699	0	2,699
Charges for Services	0	0	0
Cemetery Revenue	0	6,880	6,880
Fines and Forfeitures	0	4,365	4,365
Contributions	1,100	75	1,175
Investment Income	23	0	23
Total Revenue	360,969	29,147	390,116
<u>Expenditures</u>			
General Government:			
Personnel Services	96,369	0	96,369
Materials and Supplies	143,268	0	143,268
Capital Outlay	9,591	0	9,591
Municipal Court	0	1,218	1,218
Cemetery	0	4,067	4,067
Street and Public Works	0	13,718	13,718
Swimming Pool	0	0	0
Total Expenditures	249,228	19,003	268,231
<u>Revenue Over (Under) Expenditures</u>	111,741	10,144	121,885
<u>Other Financing Sources (Uses)</u>			
Grant Revenue	0	0	0
Grant Expenditures	(4,464)	0	(4,464)
Transfers In	58,058	0	58,058
Transfers Out	(58,643)	(9,300)	(67,943)
Total Other Financing Sources (Uses)	(5,049)	(9,300)	(14,349)
<u>Net Changes in Fund Balance</u>	106,692	844	107,536
<u>Fund Balance, June 30, 2012</u>	16,877	18,666	35,543
<u>Fund Balance, June 30, 2013</u>	\$ 123,569	\$ 19,510	\$ 143,079

Please see accompanying notes to financial statements.

Town of Tipton, OK
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Governmental Funds
Year Ended June 30, 2013

Reconciliation to the Statement of Activities

Net Changes in Fund Balances - Total Governmental Funds \$ 107,536

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

Governmental funds report Capital Outlay as expenditures while governmental activities report depreciation expense to allocate those expenditures over the useful life of the assets.

Capital Assets Purchase Capitalized	0
Depreciation Expense	(9,562)
	(9,562)
Change in Net Assets of Governmental Activities	\$ 97,974
	97,974

Town of Tipton, OK

Enterprise Funds

Statement of Net Assets

(Modified Accrual Basis)

Year Ended June 30, 2013

	Tipton Public Works Authority	Tipton Airport Authority	Total
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 38,716	\$ 17,853	\$ 56,569
Cash - Restricted	35,826	2,074	37,900
Total Current Assets	74,542	19,927	94,469
Noncurrent Assets			
Capital Assets	2,360,661	95,869	2,456,530
Accumulated Depreciation	(870,153)	(3,609)	(873,762)
Total Noncurrent Assets	1,490,508	92,260	1,582,768
Other Assets			
Bond Issue Costs, Net of Amortization	4,913	0	4,913
Total Net Assets and Liabilities	<u>\$ 1,569,963</u>	<u>\$ 112,187</u>	<u>\$ 1,682,150</u>
<u>LIABILITIES</u>			
Current Liabilities			
Bonds Payable - Current Portion	\$ 13,730	\$ 0	\$ 13,730
Notes Payable - Current Portion	16,693	0	16,693
Total Current Liabilities	30,423	0	30,423
Long Term Liabilities			
Bonds Payable	70,980	0	70,980
Notes Payable	348,590	0	348,590
Total Long Term Liabilities	419,570	0	419,570
Total Liabilities	449,993	0	449,993
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Debt	1,125,225	92,260	1,217,485
Restricted	35,826	2,074	37,900
Unrestricted	(41,081)	17,853	(23,228)
Total Net Assets	1,119,970	112,187	1,232,157
Total Net Assets and Liabilities	<u>\$ 1,569,963</u>	<u>\$ 112,187</u>	<u>\$ 1,682,150</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, 2013

	Tipton Public Works Authority	Tipton Airport Authority	Total
<u>Operating Revenue</u>			
Water Revenue Charges	\$ 198,669	\$ 0	\$ 198,669
Garbage Revenue Charges	66,284	0	66,284
Sewer Waste Charges	54,038	0	54,038
Miscellaneous Revenue	5,190	0	5,190
Airport Revenue	0	22,755	22,755
Total Operating Revenue	<u>324,181</u>	<u>22,755</u>	<u>346,936</u>
<u>Operating Expense</u>			
Supplies, Maintenance and Repairs	55,209	5,372	60,581
Personnel Expenses	123,893	0	123,893
Depreciation	50,064	401	50,465
Water Purchase	30,891	0	30,891
Interest Expense	22,990	0	22,990
Utilities	19,336	2,869	22,205
Vehicle Expense	11,479	0	11,479
Total Operating Expense	<u>313,862</u>	<u>8,642</u>	<u>322,504</u>
Net Operating Revenue (Loss)	10,319	14,113	24,432
<u>Nonoperating Revenue (Expense)</u>			
Interest Income	224	6	230
Transfers to Town of Tipton	(58,058)	(16,887)	(74,945)
Transfers from Town of Tipton	18,995	0	18,995
Net Nonoperating Revenue (Loss)	<u>(38,839)</u>	<u>(16,881)</u>	<u>(55,720)</u>
Net Revenue (Loss)	(28,520)	(2,768)	(31,288)
Total Net Assets, June 30, 2012	<u>1,148,490</u>	<u>114,955</u>	<u>1,263,445</u>
Total Net Assets, June 30, 2013	<u>\$ 1,119,970</u>	<u>\$ 112,187</u>	<u>\$ 1,232,157</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, 2013

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>	Tipton Public Works Authority	Tipton Airport Authority	Total
Net Income	\$ 10,319	\$ 14,113	\$ 24,432
Adj. to Reconcile Operating Inc. to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	50,064	401	50,465
Increase (Decrease) in Accrued Interest Payable	(261)	0	(261)
Net Cash Provided by Operating Activities	60,122	14,514	74,636
 <u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Paid on Capital Debt	(27,700)	0	(27,700)
Net Transfers between funds	(39,063)	(16,887)	(55,950)
Net Cash Provided (Used) by Capital and Related Financing Activities	(66,763)	(16,887)	(83,650)
 <u>Cash Flows from Investing and Related Financing Activities</u>			
Interest Income	224	6	230
Net Cash Provided (Used) by Investing and Related Financing Activities	224	6	230
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(6,417)	(2,367)	(8,784)
<u>Cash and Cash Equivalents, June 30, 2012</u>	80,959	22,294	103,253
<u>Cash and Cash Equivalents, June 30, 2013</u>	<u>\$ 74,542</u>	<u>\$ 19,927</u>	<u>\$ 94,469</u>
 <u>Cash Flows from Operating Activities</u>			
Receipts from Customers	324,181	22,755	346,936
Payments to Suppliers	(140,166)	(8,241)	(148,407)
Payments to Employees	(123,893)	0	(123,893)
Net Cash Provided by Operating Activities	<u>\$ 60,122</u>	<u>\$ 14,514</u>	<u>\$ 74,636</u>

Please see accompanying notes to the financial statements.

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013

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, 2013

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, 2013 are as follows:

First National Bank Altus, OK	
General Fund - Checking	117,919
Tipton Public Works Authority - Reserve	36,859
Tipton Public Works Authority - Meter Deposits	35,826
Airport Rental Fund - Checking	17,853
Street and Alley Fund - Checking	7,492
Cemetery Care Fund - Checking	6,948
Worker's Compensation - Checking	5,034
Street Lighting Reserve - Checking	3,633
General Fund - Payroll Account	3,391
Airport Rule Breaker - Checking	2,074
Sidewalk to School Fund - Checking	1,500
Municipal Court Fund - Checking	1,418
Tipton Public Works Authority - Checking	1,314
Tipton PWA Sinking Fund - Checking	543
Insurance - Checking	397
Special Senior Building Fund - Checking	332
Swimming Pool Fund - Checking	20
	<hr/>
Total	<u><u>\$ 242,553</u></u>

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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).

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.

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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.

	Fixed Assets	Accumulated Depreciation
Balance, July 1, 2012	\$ 233,037	\$ 42,508
Additions	9,591	8,720
Total	242,628	51,228
Disposals	0	0
 Balance, June 30, 2013	 \$ 242,628	 \$ 51,228

Depreciation rates were applied as follows:

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

Depreciation for the current year was \$8,720, 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, 2013, were as follows:

	Fixed Assets	Accumulated Depreciation
Balance, July 1, 2012	\$ 2,456,530	\$ 823,297
Additions	0	50,465
Total	2,456,530	873,762
Disposals	0	0
 Balance, June 30, 2013	 \$ 2,456,530	 \$ 873,762

Depreciation rates were applied as follows:

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

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Depreciation for the current year was \$50,465, which was charged to current operations.

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, 2013, the Town and the Authority had a combined unrecorded compensated absence liability of approximately \$7,305.

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

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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:

Actuarial Liability	\$	128,625
Value of Assets Available for Benefits at 12/31/12		105,670
Underfunded Pension Benefit Obligation	\$	22,955

Plan contributions for the year 2012/2013 were 7.34% of gross payroll of eligible employees; 2.25% from employees through payroll deductions, and 5.09% employer matching contributions.

The covered payroll for the period 7/1/12-6/30/13 was approximately \$147,615. 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 \$2,848. The principal balance due on June 30, 2013, was \$365,283.

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

Balance, June 30, 2012	\$	380,775
Less, Principal Payments		(15,492)
Balance, June 30, 2013	\$	365,283

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, 2013

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
June 30, 2017	20,291	13,885	34,176
June 30, 2018	20,291	13,885	34,176
Remaining Years	<u>271,367</u>	<u>149,591</u>	<u>420,958</u>
 Total	 <u>\$ 365,283</u>	 <u>\$ 226,555</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, 2014	\$ 13,730	\$ 3,696	\$ 17,426
June 30, 2015	14,420	3,006	17,426
June 30, 2016	15,160	2,266	17,426
June 30, 2017	15,940	1,486	17,426
June 30, 2018	15,940	1,486	17,426
Remaining Years	<u>9,520</u>	<u>372</u>	<u>9,892</u>
 Total	 <u>\$ 84,710</u>	 <u>\$ 12,312</u>	 <u>\$ 97,022</u>

Town of Tipton, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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
- 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 MATERS 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, in accordance with the 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, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Tipton, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Tipton, Oklahoma's basic financial statements, and have issued our report thereon dated January 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Tipton, 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Tipton, Oklahoma's financial statements are free from 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*.

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.



FURRH & ASSOCIATES, PC

Certified Public Accountants

January 14, 2014

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, 2013

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
Sales Tax	\$ 125,000	\$ 123,337	\$ 1,663
Alcohol Beverage Tax	11,000	10,769	231
Franchise Tax	13,000	12,401	599
Use Tax	10,000	209,066	(199,066)
Miscellaneous Revenue	5,000	2,699	2,301
Dues, Donations, Fund Raising	3,000	1,100	1,900
Tobacco Tax	2,000	1,574	426
Interest Earned	50	23	27
	<hr/>	<hr/>	<hr/>
Total Revenue	169,050	360,969	(191,919)
<u>Expenditures</u>			
Personnel Services	97,000	96,369	631
Materials and Supplies	140,000	143,268	(3,268)
Capital Outlay / Grant Expenses	8,927	14,055	(5,128)
	<hr/>	<hr/>	<hr/>
Total Expenditures	245,927	253,692	(7,765)
Revenue Over (Under) Expenditures	(76,877)	107,277	(184,154)
<u>Other Financing Sources (Uses)</u>			
Transfer Out	10,000	(58,643)	68,643
Transfer In	50,000	58,058	(8,058)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	60,000	(585)	60,585
<u>Revenue and Other Sources Over (Under) Expenditures and Other Uses</u>	(16,877)	106,692	(123,569)
<u>Fund Balance, June 30, 2012</u>	<hr/>	<hr/>	<hr/>
Fund Balance, June 30, 2012	16,877	16,877	0
<u>Fund Balance, June 30, 2013</u>	<hr/>	<hr/>	<hr/>
Fund Balance, June 30, 2013	\$ 0	123,569	\$ (123,569)

Please see accompanying notes to the financial statements.

Town of Tipton, OK
Notes to Required Supplemental Information
Year Ended June 30, 2013

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, 2013

		<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	\$	7,492	3,632	1,418	6,948	20	19,510
Due from Other Funds		0	0	0	0	0	0
Total Assets	\$	<u>7,492</u>	<u>3,632</u>	<u>1,418</u>	<u>6,948</u>	<u>20</u>	<u>19,510</u>
<u>Liabilities</u>							
	\$	0	0	0	0	0	0
<u>Fund Equity</u>							
Fund Balance:							
Unreserved		7,492	3,632	1,418	6,948	20	19,510
Total Liabilities and Fund Equity	\$	<u>7,492</u>	<u>3,632</u>	<u>1,418</u>	<u>6,948</u>	<u>20</u>	<u>19,510</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, 2013

	Municipal				Total Nonmajor Governmental Funds
	Street and Alley Fund	Street Lights Fund	Court Fund	Cemetery Care Fund	
<u>Revenue</u>					
Cemetery Revenue	\$ 0	\$ 0	\$ 0	\$ 6,880	\$ 6,880
Contributions	0	0	0	75	75
Motor Vehicle Tax	6,973	0	0	0	6,973
Franchise Revenue	0	10,854	0	0	10,854
Fines	0	0	4,365	0	4,365
Pool Revenue	0	0	0	0	0
Transfers In	0	0	0	0	0
Total Revenue	6,973	10,854	4,365	6,955	29,147
<u>Expenditures</u>					
Personnel Services	0	0	0	0	0
Other Services and Charges	5,931	7,787	1,218	4,067	19,003
Capital Outlay	0	0	0	0	0
Transfers Out	1,500	3,300	3,500	0	9,300
Total Expenditures	7,431	11,087	4,718	4,067	28,303
Revenue Over (Under) Expenditures	(458)	(233)	(353)	2,888	844
Fund Balance, June 30, 2012	7,950	3,865	1,771	4,060	18,666
Fund Balance, June 30, 2013	\$ 7,492	\$ 3,632	\$ 1,418	\$ 6,948	\$ 19,510

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, 2013

	Street and Alley Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Motor Vehicle Tax	\$ 7,000	\$ 6,973	\$ 27
Miscellaneous Revenue	0	0	0
Total Revenue	7,000	6,973	27
<u>Expenditures</u>			
Materials and Supplies	9,950	5,931	4,019
Capital Outlay	0	0	0
Transfers Out	5,000	1,500	3,500
Total Expenditures	14,950	7,431	7,519
		0	
<u>Revenue Over (Under) Expenditures</u>	(7,950)	(458)	(7,492)
<u>Fund Balance, June 30, 2012</u>	7,950	7,950	0
<u>Fund Balance, June 30, 2013</u>	\$ 0	\$ 7,492	\$ (7,492)

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, 2013

	Street Lights Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Franchise Revenue	\$ 10,000	\$ 10,854	\$ (854)
Transfers In	0	0	0
Total Revenue	10,000	10,854	(854)
<u>Expenditures</u>			
Materials and Supplies	8,865	7,787	1,078
Capital Outlay	0	0	0
Transfers Out	5,000	3,300	1,700
Total Expenditures	13,865	11,087	2,778
		0	
<u>Revenue Over (Under) Expenditures</u>	(3,865)	(233)	(3,632)
<u>Fund Balance, June 30, 2012</u>	3,865	3,865	0
<u>Fund Balance, June 30, 2013</u>	\$ 0	\$ 3,632	\$ (3,632)

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, 2013

	Municipal Court Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Fines	\$ 4,000	\$ 4,365	\$ (365)
Transfers In	0	0	0
	4,000	4,365	(365)
<u>Expenditures</u>			
Personnel Services	0	0	0
Materials and Supplies	2,271	1,218	1,053
Capital Outlay	0	0	0
Transfers Out	3,500	3,500	0
	5,771	4,718	1,053
<u>Revenue Over (Under) Expenditures</u>	(1,771)	(353)	(1,418)
<u>Fund Balance, June 30, 2012</u>	1,771	1,771	0
<u>Fund Balance, June 30, 2013</u>	\$ 0	\$ 1,418	\$ (1,418)

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, 2013

	Cemetery Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Cemetery Revenue	\$ 7,000	\$ 6,880	\$ 120
Donations	100	75	25
Transfers In	0	0	0
	7,100	6,955	145
<u>Expenditures</u>			
Materials and Supplies	5,000	4,067	933
Capital Outlay	6,160	0	6,160
Transfers Out	0	0	0
	11,160	4,067	7,093
		0	
<u>Revenue Over (Under) Expenditures</u>	(4,060)	2,888	(6,948)
<u>Fund Balance, June 30, 2012</u>	4,060	4,060	0
<u>Fund Balance, June 30, 2013</u>	\$ 0	\$ 6,948	\$ (6,948)

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, 2013

	Swimming Pool Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Pool Revenue	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0
Total Revenue	0	0	0
<u>Expenditures</u>			
Personnel Services	0	0	0
Materials and Supplies	0	0	0
Transfers Out	1,020	1,000	20
Total Expenditures	1,020	1,000	20
		0	
<u>Revenue Over (Under) Expenditures</u>	(1,020)	(1,000)	(20)
<u>Fund Balance, June 30, 2012</u>	1,020	1,020	0
<u>Fund Balance, June 30, 2013</u>	\$ 0	\$ 20	\$ (20)

Please see accompanying notes to the financial statements.