

TOWN OF ALDERSON, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

Ralph Osborn
Certified Public Accountant
500 South Chestnut
P.O. Box 1015
Bristow, Oklahoma 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Town of Alderson, Oklahoma

I 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 Alderson, Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the Town of Alderson, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Alderson, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Town of Alderson, Oklahoma as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, in conformity with accounting principles generally accepted in the United States of America.

The Town of Alderson, Oklahoma has not presented Management's Discussion and Analysis or General Fund budgetary comparison that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 5, 2014, on my consideration of Town of Alderson, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the fund type and account group financial statements within the combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is not a required part of the combined financial statements of the Town. This other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and, in my opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
May 5, 2014

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental	Business	Total
	Activities	Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 395,310	\$ 27,800	\$ 423,110
Investments	255,764	-	255,764
Accounts receivable, net	-	6,069	6,069
Taxes receivable	21,975	-	21,975
Due from other funds	60,414	(60,414)	-
Total current assets	733,463	(26,545)	706,918
Non-current assets:			
Capital assets			
Land	-	5,000	5,000
Other capital assets net of accumulated depreciation	119,186	2,114,899	2,234,085
Total non-current assets	119,186	2,119,899	2,239,085
Total assets	852,649	2,093,354	2,946,003
LIABILITIES			
Current liabilities:			
Accounts payable	1,152	3,363	4,515
Payroll Liabilities	515	-	515
Note payable, current	-	7,670	7,670
Total current liabilities	1,667	11,033	12,700
Non-current liabilities:			
Note payable, non-current	-	522,079	522,079
Total non-current liabilities	-	522,079	522,079
Total liabilities	1,667	533,112	534,779
NET ASSETS			
Nonspendable	201,575	1,535,805	1,737,380
Assigned	10,832	24,437	35,269
Unassigned	638,575	-	638,575
Total net assets	\$ 850,982	\$1,560,242	\$ 2,411,224

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Function/Programs					
Governmental activities					
Administration	32,618	-	2,041	-	(30,577)
Public Safety	11,054	3,025	4,413	-	(3,616)
Street	566	-	2,806	-	2,240
Cemetery	106	-	-	-	(106)
	<u>44,344</u>	<u>3,025</u>	<u>9,260</u>	<u>-</u>	<u>(32,059)</u>
Total governmental activities					
Business-type activities					
Public Works	108,391	82,879	-	48,186	22,674
Total business-type activities	<u>108,391</u>	<u>82,879</u>	<u>-</u>	<u>48,186</u>	<u>22,674</u>
Total primary government	<u>\$ 152,735</u>	<u>\$ 85,904</u>	<u>\$ 9,260</u>	<u>\$ 48,186</u>	<u>\$ (9,385)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	<u>\$ (32,059)</u>	<u>\$ 22,674</u>	<u>\$ (9,385)</u>
General revenues			
Taxes			
Sales and use taxes	138,537	-	138,537
Franchise	9,956	-	9,956
Cigarette	1,411	-	1,411
Other Income	35	-	35
Interest	1,438	4	1,442
Total general revenue	<u>151,377</u>	<u>4</u>	<u>151,381</u>
Change in net assets	119,318	22,678	141,996
Net assets - beginning	<u>731,664</u>	<u>1,537,564</u>	<u>2,269,228</u>
Net assets - ending	<u>\$ 850,982</u>	<u>\$1,560,242</u>	<u>\$2,411,224</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 384,387	\$ 10,923	\$ 395,310
Investments	255,764	-	255,764
Taxes receivable	21,573	402	21,975
Due from other funds	<u>60,414</u>	<u>-</u>	<u>60,414</u>
TOTAL ASSETS	<u>\$ 722,138</u>	<u>\$ 11,325</u>	<u>\$ 733,463</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 1,061	\$ 91	\$ 1,152
Payroll Liabilities	<u>515</u>	<u>-</u>	<u>515</u>
TOTAL LIABILITIES	<u>1,576</u>	<u>\$ 91</u>	<u>1,667</u>
FUND BALANCES			
Nonspendable	81,987	402	82,389
Assigned	-	10,832	10,832
Unassigned	<u>638,575</u>	<u>-</u>	<u>638,575</u>
TOTAL FUND BALANCES	<u>720,562</u>	<u>11,234</u>	731,796
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 722,138</u>	<u>\$ 11,325</u>	
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund, net of accumulated depreciation			
			<u>119,186</u>
Net assets of governmental activities			<u>\$ 850,982</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Total Governmental Funds</u>
Revenue			
Sales tax	\$ 95,172	\$ -	\$ 95,172
Use tax	43,365	-	43,365
Cigarette tax	1,411	-	1,411
Alcoholic Beverage tax	2,041	-	2,041
Gas and Auto tax	-	2,806	2,806
Franchise tax	9,956	-	9,956
Fire revenue	3,025	-	3,025
Intergovernmental	4,413	-	4,413
Miscellaneous	35	-	35
Interest	1,438	-	1,438
	<u>160,856</u>	<u>2,806</u>	<u>163,662</u>
Total revenue			
Expenditures			
Administration	30,313	-	30,313
Public Safety	6,784	-	6,784
Street	-	566	566
Cemetery	106	-	106
	<u>37,203</u>	<u>566</u>	<u>37,769</u>
Total expenditures			
Net changes in fund balance	123,653	2,240	125,893
Fund balances, beginning (restated)	<u>596,909</u>	<u>8,994</u>	<u>605,903</u>
Fund balances, ending	<u>\$ 720,562</u>	<u>\$ 11,234</u>	<u>\$ 731,796</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012

Net changes in fund balances - total governmental funds \$ 125,893

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those cost are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(6,575)	
Capital outlay	<u>-</u>	<u>(6,575)</u>
 Change in net assets		 <u>\$ 119,318</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
JUNE 30, 2012

	<u>Public Works</u>
ASSETS	
Current Assets:	
Cash and cash equivalent	\$ 27,800
Accounts receivable, net	<u>6,069</u>
Total current assets	<u>33,869</u>
Non-current Assets	
Capital assets:	
Land	5,000
Capital assets, net of accumulated depreciation	<u>2,114,899</u>
Total non-current assets	<u>2,119,899</u>
Total assets	<u>2,153,768</u>
LIABILITIES	
Current liabilities:	
Due to other funds	60,414
Accounts payable	3,363
Notes payable, current	<u>7,670</u>
Total current liabilities	<u>71,447</u>
Noncurrent liabilities:	
Notes payable, non-current	<u>522,079</u>
Total noncurrent liabilities	<u>522,079</u>
Total liabilities	<u>593,526</u>
NET ASSETS	
Nonspendable	1,535,805
Assigned	24,437
Unassigned	<u>-</u>
Net assets of business-type activities	<u>\$1,560,242</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Wastewater charges	\$ 82,827
Other	<u>52</u>
Total operating revenues	<u>82,879</u>
<u>OPERATING EXPENSES</u>	
Telephone and utility	3,919
Bank charges	78
Office	5,955
Sewer expenses	47,096
Repair and maintenance	5,333
Depreciation	<u>27,218</u>
Total operating expenses	<u>89,599</u>
Operating income (loss)	<u>(6,720)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	4
Grants	48,186
Interest on notes payable	<u>(18,792)</u>
Total non-operating revenue (expenses)	<u>29,398</u>
Change in net assets of business type activities	22,678
Total net assets, beginning	<u>1,537,564</u>
Total net assets, ending	<u><u>\$1,560,242</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 83,658
Cash payments to suppliers for goods and services	<u>(64,778)</u>
Net cash provided (used) by operating activities	<u>18,880</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	(59,936)
Proceeds from Rural Development Grant	48,186
Interest paid on notes payable and fiscal fees	(18,792)
Principal paid on notes payable	<u>(1,251)</u>
Net cash used for capital and related financing activities	<u>(31,793)</u>
Cash flows from investing activities	
Interest revenue	<u>4</u>
Net cash provided by investing activities	<u>4</u>
Net increase in cash and cash equivalents	(12,909)
Cash and cash equivalents, beginning	<u>40,709</u>
Cash and cash equivalents, ending	<u>\$ 27,800</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	\$ (6,720)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation expense	27,218
Changes in assets and liabilities:	
Accrued receivables	779
Accounts payable	<u>(2,397)</u>
Net cash provided by operating activities	<u>\$ 18,880</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Alderson, Oklahoma, was incorporated under the laws of Oklahoma in 1926, for an indefinite existence. The Town's major operations include fire protection, public works and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statement and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Reporting Entity

In evaluating how to define the Town of Alderson, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. The Alderson Public Works Authority is considered a component unit of the Town of Alderson and it has been included in the financial statements.

B. Basis of Presentation - Fund Accounting

The accounts of the Town of Alderson are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund is summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures.

The individual funds account for the government resources with laws, regulations, or other restrictions. The following funds are used by the Town.

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Governmental Funds:

The Town's governmental funds are comprised of the following:

Major Funds:

- General Fund - accounts for general operations of the Town.
- Street & Alley - accounts for motor fuel & vehicle licenses

Proprietary Funds:

The Town's proprietary fund includes the following:

- Alderson Public Works Authority - The public works authority is used to account for operations that are operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

C. Cash and Cash Equivalents

For the purpose of the statements of net assets, balance sheet, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less. Certificate of deposits are reported at cost. The Town of Alderson maintains a cash pool that is available for all funds.

D. Inventories

Inventory of supplies is not reported on the financial statements of the Town. The amount of inventory on hand is not material to the financial statements.

E. Capital Assets and Depreciation

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Additions to the Alderson Public Works Authority are recorded at cost, if contributed property, at their estimated fair value at time of contribution. All costs incurred in connection with the acquisition or construction of water or sewer systems and improvements are capitalized. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Depreciation will be calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition.

F. Fund Balances and Net Assets

Fund balances generally reported in the governmental funds financial statements are displayed in two components:

Fund Balance:

- a. Reserved - Consist of fund balances that are either legally restricted as to use (such as voter restricted sales tax), or fund balances that are not available for expenditure in the subsequent year.
- b. Unreserved - All other fund balances not classified as "reserved".

At June 30, 2012, there were no government fund balance reserves.

Net Assets:

Net assets reported in the government-wide and proprietary fund financial statement are displayed in three components:

- a. Nonspendable - Consists of amounts that cannot be spent due to form; for example, inventories, prepaid amounts, long-term loan and notes receivable. May also include amounts that must be maintained intact legally or contractually such as corpus or principal of a permanent fund.
- b. Assigned - For all governmental funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. Also consists of general fund amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts.
- c. Unassigned - For the general fund, consists of amounts not classified as nonspendable, restricted, committed or assigned. Also consists of other governmental fund amounts expended in excess of resources that are nonspendable, restricted, committed or assigned (a residual deficit).

G. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgment and may vary from actual results.

H. Compensated Absences

The Town of Alderson has no liability for compensated absences at June 30, 2012.

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2012, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$678,874 at June 30, 2012. The bank balance of the deposits at June 30, 2012 was approximately \$678,922.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2012.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2012, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 13 months or less.

NOTE 3 - DUE TO/FROM OTHER FUNDS

Interfund receivables and payables at June 30, 2012 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 60,414	Public Works	General Fund
<u>\$ 60,414</u>		

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

	Balance at July 1, 2011	Additions	Disposals	Balance at June 30, 2012
PRIMARY GOVERNMENT				
<i>Governmental activities:</i>				
Buildings	\$ 93,690	\$ -	\$ -	\$ 93,690
Land	-	-	-	-
Other improvements	-	-	-	-
Machinery and equipment	85,308	-	-	85,308
Total other capital assets at historical cost	<u>178,998</u>	<u>-</u>	<u>-</u>	<u>178,998</u>
Less Accumulated Depreciation for:				
Buildings	\$ 18,719	\$ 1,136	\$ -	\$ 19,855
Other improvements	-	-	-	-
Machinery and equipment	26,436	6,946	-	33,382
Total accumulated depreciation	<u>45,155</u>	<u>8,082</u>	<u>-</u>	<u>53,237</u>
Governmental activities Capital Assets, Net	<u>\$ 133,843</u>	<u>\$ (8,082)</u>	<u>\$ -</u>	<u>\$ 125,761</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land and construction in progress	\$ 282,482	\$1,805,135	\$ (34,880)	\$2,052,737
Total capital assets not being depreciated	<u>282,482</u>	<u>1,805,135</u>	<u>(34,880)</u>	<u>2,052,737</u>
Other capital assets:				
Buildings	\$ -	\$ -	\$ -	\$ -
Equipment and improvements	-	-	-	-
Water and sewer system	-	34,880	-	34,880
Total other capital assets at historical cost	<u>-</u>	<u>34,880</u>	<u>-</u>	<u>34,880</u>
Less Accumulated Depreciation for:				
Buildings	\$ -	\$ -	\$ -	\$ -
Equipment and improvements	-	-	-	-
Water and sewer system	-	436	-	436
Total accumulated depreciation	<u>-</u>	<u>436</u>	<u>-</u>	<u>436</u>
Other capital assets, net	<u>-</u>	<u>34,444</u>	<u>-</u>	<u>34,444</u>
Business-type activities Capital Assets, Net	<u>\$ 282,482</u>	<u>\$1,839,579</u>	<u>\$ (34,880)</u>	<u>\$2,087,181</u>

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - CHANGES IN LONG-TERM DEBT

The Public Works Authority entered into a loan agreement with Rural Development in the amount of \$399,000 on April 22, 2010. The loan requires interest only payments on April 22, 2011 and April 22, 2012 then monthly payments of \$1,529 beginning on May 22, 2012 with the last payment due on April 22, 2050. The loan has an interest rate of 3.250%.

The Public Works Authority entered into a loan agreement with Rural Development in the amount of \$132,000 on April 22, 2010. The loan requires interest only payments on April 22, 2011 and April 22, 2012 then monthly payments of \$441 beginning on May 22, 2012 with the last payment due on April 22, 2050. The loan has an interest rate of 2.375%.

2010 Note payable with USDA Rural Development dated April 22, 2010, original sales lease price of \$132,000 with an annual interest rate of 2.375% due in monthly installments of \$441 for 40 years.	\$ 131,641
2010 Note payable with USDA Rural Development dated April 22, 2010, original sales lease price of \$399,000 with an annual interest rate of 3.250% due in monthly installments of \$1,529 for 40 years.	398,108
Total Notes Payable	<u>\$ 529,749</u>

Following is the anticipated annual debt service amounts for principal payments.

<u>Year Ended October 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2013	\$ 7,670	\$ 15,970	\$ 23,640
2014	7,904	15,736	23,640
2015	8,144	15,496	23,640
2016	8,393	15,247	23,640
2017	8,648	14,992	23,640
2018 - 2022	47,364	70,836	118,200
2023 - 2027	55,060	63,140	118,200
2028 - 2032	64,030	54,170	118,200
2033 - 2037	74,488	43,712	118,200
2038 - 2042	86,685	31,515	118,200
2043 - 2047	100,914	17,286	118,200
2048 - 2052	60,449	2,591	63,040
Total	<u>\$ 529,749</u>	<u>\$ 360,691</u>	<u>\$ 890,440</u>

The loan agreements require a debt service account be established and a deposit equal to 10% of the monthly payments be deposited to the account until accumulation of one annual installment or \$23,640 is met. The reserve fund is required to establish an emergency fund for maintenance and repairs and debt repayment. The percent of the proposed loan installment would equal \$197 per month. At June 30, 2012, the required reserve had not been contributed to.

TOWN OF ALDERSON, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 5 - COMPENSATED ABSENCES

The Town and Authority have not reported an amount for accrued compensated absences. The amount of compensated absences to accrue at June 30, 2012 would not likely be material.

NOTE 6 - OKLAHOMA FIREFIGHTERS PENSION

The Town participants in one employee pension system as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan

The Town of Alderson participates in the statewide cost-sharing multi-employer defined benefit plan on behalf of the volunteer firefighters. The system is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provision:

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Obtaining separately issued financial statements	Firefighters Pension & Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	None
Town's contribution rate	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service 2½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits
Eligibility and benefits for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered
Deferred retirement option	Yes, 20 years credited with continued service for a maximum of 30 or more years

TOWN OF ALDERSON, OKLAHOMA
Notes to Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2012

NOTE 10 - BUDGET

Budgetary Accounting

The Town prepares its budget on the cash basis of accounting for all revenues. The modified accrual basis of accounting is used for the budgeting of expenditures with the exception of the net effect of certain year-end accruals.

Budget Law

The Town prepares its annual operating budget under the provision of the Estimate of Needs Law (68 O.S. Section 3001-3033 & 62 O.S. Section 461). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Governing Body must begin preparing Estimate of Needs and report of revenues, first Monday in August.
- b. Excise Board convenes July 1, to set schedule for public meetings.
- c. Prepare estimate of Needs by September 1.
- d. Submit financials and needs estimate to county excise board
 - Incorporated towns by August 22
 - Cities by August 27
- e. Publication affidavit filed at least 5 days after filling.

In accordance with Title 60 of the Oklahoma State Statutes, the Alderson Public Works Authority is required to prepare an annual budget and submit a copy to the Town as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control.

Budgetary Compliance

For the year ended June 30, 2012, the Town has complied, in all material respects, with the applicable budget laws.

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 Board of Trustees
Town of Alderson
Alderson, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Alderson, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town of Alderson, Oklahoma's basic financial statements, and have issued my report thereon dated May 5, 2014 which did not include Management's Discussion and Analysis or General Fund budgetary comparison. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Alderson, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
May 5, 2014