

**TOWN OF ALLEN, OKLAHOMA**

Financial Statements  
As of June 30, 2010

With Independent Auditors' Report Thereon

# TOWN OF ALLEN, OKLAHOMA

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TOWN OF ALLEN, OKLAHOMA

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**TOWN OF ALLEN  
PONTOTOC COUNTY, OKLAHOMA**

**June 30, 2010**

**Management's Discussion and Analysis**

This discussion and analysis of the Town's financial statements provides a basic overview of the financial activities for the year ended June 30, 2010. Management has prepared the financial statements and related disclosures along with the discussion and analysis. It should be read in conjunction with the accompanying basic financial statements.

**Financial Highlights**

The Town's Net Assets decreased approximately \$77,000 and combined net assets totaled approximately \$2,311,665.

**Overview of the Town's Financial Statements and Corresponding Financial Analysis**

The discussion and analysis serves as an introduction to the Town of Allen's basic financial statements. The Town of Allen's basic financial statements are comprised of three component's; government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements report information about the Town as a whole, using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities, reported using the full accrual basis of accounting. The statement of activities accounts for all of the current year's revenues and expenses, regardless of when cash is received or paid.

The two government-wide statements report the Town's net assets and how they have changed. Net assets, the difference between the Town's assets and liabilities, is one way to measure the financial health of the Town. Over time, increases or decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Town, one needs to consider other nonfinancial factors such as changes in the local economy and related sales tax increases or decreases.

**TOWN OF ALLEN  
PONTOTOC COUNTY, OKLAHOMA**

**June 30, 2010**

**Fund Financial Statements**

The Town's Governmental Funds consist of the General Fund and Special Revenue Funds. The special revenue fund consists of the Street and Alley Fund and various miscellaneous funds. These funds focus more on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

**Financial Analysis of the Town as a Whole**

Over time, net assets may serve as a useful indicator of a governmental's financial position. In the case of the Town of Allen, assets exceeded liabilities by \$2,311,665. The majority of the Town's net assets (85.1%) are held in capital assets at 6-30-10. The Town of Allen had no outstanding long-term debt as of June 30, 2010.

**Operating Revenues**

The Town relies primarily on sales tax and alcoholic beverage taxes as its main source of income. For the year ended June 30, 2010, the Town had sales and use tax collections totaling \$196,635 and alcoholic beverage tax collections totaled \$5,219. The business-type activities (Allen Public Works Authority) relies primarily on sale of water and sewer as its main source of revenue.

**Operating Expenses**

Total depreciation expense for the Town's governmental activities was \$6,225. Total depreciation of the Allen Public Works Authority was \$35,462 which was 10.0% of the Authority's total expenses.

**Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds**

The governmental fund balance sheets show total assets of \$190,763, comprised of cash and investments. The net change in fund balance of the governmental funds totaled \$11,698.

**TOWN OF ALLEN  
PONTOTOC COUNTY, OKLAHOMA**

**June 30, 2010**

**Capital Assets**

As of June 30, 2010, the Town had \$85,425 invested in capital assets net of related accumulated depreciation. The Business Activities of the town had \$1,881,230 invested in capital assets net of related accumulated depreciation.

**Debt**

As of June 30, 2010 the Town had no outstanding long-term debt.

**Economic Outlook**

Nothing occurred during the fiscal year ended June 30, 2010 that impacted the financial statements on a significant basis.

# JOHNSTON & BRYANT

Certified Public Accountants

Pete Johnston, C.P.A.  
Allen Bryant, Jr., C.P.A.

P.O. Box 1564  
Ada, Oklahoma 74821-1564  
(580) 332-5549

MEMBER  
American Institute of Certified Public Accountants  
Oklahoma Society of Certified Public Accountants

## Independent Auditor's Report

Honorable Mayor and Town Council  
Town of Allen  
Allen, Oklahoma

We have audited the accompanying financial statements of the governmental activities and business type activities, each major fund, and the aggregate remaining fund information of the Town of Allen, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Allen'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 the 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.

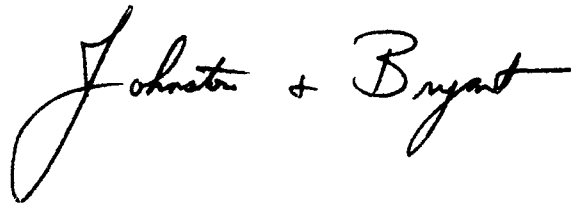
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Allen, Oklahoma, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Town Council  
Town of Allen  
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In accordance with Governmental Auditing Standards, we have also issued our report dated June 23, 2011, on our consideration of the Town of Allen's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 through 3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ada, Oklahoma  
June 23, 2011

A handwritten signature in black ink, appearing to read "John + Bryant". The signature is written in a cursive, flowing style with a large initial "J" and a long horizontal stroke at the end.



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## TOWN OF ALLEN, OKLAHOMA

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 80,290	\$ 85,741	\$ 166,031
Investments	109,892	59,912	169,804
Receivables:			
Utilities	-	32,280	32,280
Taxes	16,065	-	16,065
Intergovernmental	581	-	581
Other	-	-	-
Insurance Deposit	-	-	-
Total Current Assets	<u>206,828</u>	<u>177,933</u>	<u>384,761</u>
Capital Assets:			
Land	4,500	27,970	32,470
Buildings	249,000	1,474,131	1,723,131
Autos, Trucks and Equipment	179,818	175,139	354,957
Water and Sewer System Equipment	-	1,102,365	1,102,365
Accumulated Depreciation	(347,893)	(898,375)	(1,246,268)
Capital Assets, Net	<u>85,425</u>	<u>1,881,230</u>	<u>1,966,655</u>
Total Assets	<u>\$ 292,253</u>	<u>\$ 2,059,163</u>	<u>\$ 2,351,416</u>

	Governmental Activities	Business Activities	Total
<u>LIABILITIES</u>			
Current Liabilities:			
Current Portion of Long-Term Debt	\$ 13,316	\$ -	\$ 13,316
Accounts Payable	-	-	-
Payroll Taxes Payable	3,397	3,125	6,522
Meter Deposits	-	19,913	19,913
Total Current Liabilities	<u>16,713</u>	<u>23,038</u>	<u>39,751</u>
Long-Term Debt	-	-	-
Total Liabilities	<u>16,713</u>	<u>23,038</u>	<u>39,751</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	72,109	1,881,230	1,953,339
Unrestricted	<u>203,431</u>	<u>154,895</u>	<u>358,326</u>
Total Net Assets	<u>\$ 275,540</u>	<u>\$ 2,036,125</u>	<u>\$ 2,311,665</u>

## TOWN OF ALLEN, OKLAHOMA

Statement of Activities  
Year Ended June 30, 2010

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 63,164	\$ -	\$ -	\$ -
Public Safety	152,559	-	-	-
Street	20,382	-	-	-
Cultural and Recreational	51,656	-	-	-
Cemetery	9,944	-	-	-
Project Expenditures	-	-	-	-
Depreciation	6,225	-	-	-
Total Governmental Activities	<u>313,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type Activities				
Allen Public Works Authority				
Water	-	99,551	-	-
Sewer	-	53,702	-	-
Garbage	-	96,930	-	-
Personal Services	146,374	-	-	-
Maintenance and Operations	104,786	-	-	-
Administrative	-	-	-	-
Depreciation	32,835	-	-	-
Grant Expenditures	-	-	-	-
Allen Community Development Authority	-	-	-	-
Rental Income	-	15,487	-	-
General Government	35,196	-	-	-
Depreciation	35,462	-	-	-
Total Business-type Activities	<u>354,653</u>	<u>365,670</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 668,583</u>	<u>\$ 265,670</u>	<u>\$ -</u>	<u>\$ -</u>

## General Revenues

Taxes  
 Intergovernmental  
 Charge for Services  
 Grant Revenue  
 Fines  
 Investment Earnings  
 Miscellaneous  
 Donations  
 Transfers  
 Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning - See Note

Net Assets Ending

(7)

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

Net Revenues (Expenses)  
and Changes in Net Assets

Governemental Activities	Buisness-type Activities	Total
\$ (63,164)	\$ -	\$ (63,164)
(152,559)	-	(152,559)
(20,382)	-	(20,382)
(51,656)	-	(51,656)
(19,944)	-	(19,944)
-	-	-
(6,225)	-	(6,225)
<u>(313,930)</u>	<u>-</u>	<u>(313,930)</u>
-	99,551	99,551
-	53,702	53,702
-	96,930	96,930
-	(146,374)	(146,374)
-	(104,786)	(104,786)
-	-	-
-	(32,835)	(32,835)
-	-	-
-	-	-
-	15,487	15,487
-	(35,196)	(35,196)
-	(35,462)	(35,462)
<u>-</u>	<u>(88,983)</u>	<u>(88,983)</u>
<u>\$ (313,930)</u>	<u>\$ (88,983)</u>	<u>\$ (402,913)</u>
201,080	-	201,080
13,120	-	13,120
5,054	-	5,054
-	-	-
52,515	-	52,515
2,016	1,741	3,757
32,518	-	32,518
17,546	-	17,546
-	-	-
<u>323,849</u>	<u>1,741</u>	<u>325,590</u>
9,919	(87,242)	(77,323)
<u>265,621</u>	<u>2,123,367</u>	<u>2,388,988</u>
<u>\$ 275,540</u>	<u>\$ 2,036,125</u>	<u>\$ 2,311,665</u>

## TOWN OF ALLEN, OKLAHOMA

Balance Sheet  
 Governmental Funds  
 June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 80,351	\$ (61)	\$ 80,290
Investments	109,892	-	109,892
Receivables:			
Taxes	-	-	-
Intergovernmental	-	581	581
Due from other Funds	-	-	-
Insurance Deposits	-	-	-
Total Assets	<u>\$ 190,243</u>	<u>\$ 520</u>	<u>\$ 190,763</u>
<u>LIABILITIES</u>			
Current Portion of Lease Payable	\$ 13,316	\$ -	\$ 13,316
Salaries and Taxes Payable	2,791	606	3,397
Vacations Payable	-	-	-
Payable from Restricted Assets	-	-	-
Due to Depositors	-	-	-
Total Liabilities	<u>16,107</u>	<u>606</u>	<u>16,713</u>
<u>FUND BALANCE</u>			
Reserved	-	-	-
Unreserved	174,136	(86)	174,050
Total Reserves and Fund Equity	<u>174,136</u>	<u>(86)</u>	<u>174,050</u>
Total Liabilities, Reserves, and Fund Equity	<u>\$ 190,243</u>	<u>\$ 520</u>	<u>\$ 190,763</u>

## TOWN OF ALLEN, OKLAHOMA

## Reconciliation of Balance Sheet

## To the Statement of Net Assets

June 30, 2010

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 174,050
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Taxes and Intergovernmental Receivables reported on Statement of Net Assets	16,065
Capital Assets Used in Governments Activities are not Current Financial Resources and Therefore are not Reported in the Governmental Funds.	85,098
Notes Payable Reported on the Statement of Net Assets	<u>-</u>
Total Net Assets - Governmental Assets (Exhibit B)	<u><u>\$ 275,213</u></u>

**TOWN OF ALLEN, OKLAHOMA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended June 30, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 196,635	\$ -	\$ 196,635
Intergovernmental	5,219	7,901	13,120
Charges For Service	2,654	2,400	5,054
Grant Revenue	-	-	-
Fines and Forfeitures	52,515	-	52,515
Miscellaneous	32,343	175	32,518
Investment Income	1,964	52	2,016
Donations	12,858	4,688	17,546
Total Revenues	<u>✓ 304,188</u>	<u>15,216</u>	<u>319,404 ✓</u>
<b>Expenditures</b>			
Administration	63,164 ✓	-	63,164
Municipal Court	10,284 ✓	-	10,284
Police	112,540 ✓	-	112,540
Fire	23,490 ✓	-	23,490
Animal Control	6,245 ✓	-	6,245
Park and Recreation	13,792	-	13,792
Library	37,865 ✓	-	37,865
Street	-	20,382 ✓	20,382
Cemetery	-	19,944	19,944
Project Expenditure	-	-	-
Total Expenditures	<u>267,380 ✓</u>	<u>40,326</u>	<u>307,706 ✓</u>
Excess of Revenues Over (Under) Expenditures	36,808	(25,110)	11,698
Beginning Fund Balance - July 1	<u>137,328</u>	<u>25,024</u>	<u>162,352</u>
Ending Fund Balance - June 30	<u>\$ 174,136</u>	<u>\$ (86)</u>	<u>\$ 174,050</u>



**TOWN OF ALLEN, OKLAHOMA**  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2010

Net Change in Fund Balance - Total Governmental Funds (Exhibit E) \$ 11,698

Amounts Reported for Governmental Activities in the Statement  
of Activities (Exhibit B) are Different Because:

Adjustment Required to Record Tax Accruals 4,446

Government funds report capital outlay as expenditures. However,  
in the Statement of Activities, the cost of those assets is allocated  
over their useful estimated lives and reported as depreciation expense.  
This and the net effect of various transactions involving capital assets  
increased net assets.

Depreciation Expense Reported in Statement of Net Assets (6,552)

Change in Net Assets of Governmental Activities (Exhibit B) \$ 9,592

## TOWN OF ALLEN, OKLAHOMA

## Statement of Net Assets

## Proprietary Fund

June 30, 2010

	Allen Public Works Authority	Allen Community Development Authority	Totals
<u>ASSETS</u>			
Current Assets			
Cash	\$ 84,918	\$ 823	\$ 85,741
Investments	37,914	21,998	59,912
Receivables:			
Utilities Receivable	32,280	-	32,280
Insurance Deposits	-	-	-
Total Current Assets	<u>155,112</u>	<u>22,821</u>	<u>177,933</u>
Noncurrent Assets			
Capital Assets (Net)	<u>568,689</u>	<u>1,312,541</u>	<u>1,881,230</u>
Total Noncurrent Assets	<u>568,689</u>	<u>1,312,541</u>	<u>1,881,230</u>
Total Assets	<u>723,801</u>	<u>1,335,362</u>	<u>2,059,163</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	-	-	-
Payroll Taxes Payable	3,125	-	3,125
Meter Deposits Payable	19,913	-	19,913
Total Current Liabilities	<u>23,038</u>	<u>-</u>	<u>23,038</u>
Total Liabilities	<u>23,038</u>	<u>-</u>	<u>23,038</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	568,689	1,312,541	1,881,230
Unrestricted	<u>132,074</u>	<u>22,821</u>	<u>154,895</u>
Total Net Assets	<u>\$ 700,763</u>	<u>\$ 1,335,362</u>	<u>\$ 2,036,125</u>

**TOWN OF ALLEN**  
Statement of Revenues, Expenses, and Changes in Fund Balance  
Proprietary Funds  
Year Ended June 30, 2010

	Allen Public Works Authority	Allen Community Development Authority	Totals
Operating Revenue			
Water	\$ 91,225	\$ -	\$ 91,225
Sewer	53,702	-	53,702
Garbage	96,930	-	96,930
Rental Income	-	15,487	15,487
Miscellaneous Income	-	-	-
Late Fees	8,326	-	8,326
Total Operating Revenue	<u>250,183</u>	<u>15,487</u>	<u>265,670</u>
Operating Expenses			
Personal Services	146,376	-	146,374
Maintenance and Operations	104,786	15,062	119,848
Utilities	-	13,110	13,110
Insurance	-	7,024	7,024
General Government	-	-	-
Depreciation	32,835	35,462	68,297
Total Operating Expenses	<u>283,995</u>	<u>70,658</u>	<u>354,653</u>
Net Operating Income	(33,812)	(55,171)	(88,983)
Non-Operating Revenue (Expense):			
Grant Revenue	-	-	-
Grant Expenditures	-	-	-
Interest Earned	798	943	1,741
Transfers From General Fund	-	-	-
Net Non-Operating Revenue (expense)	<u>798</u>	<u>943</u>	<u>1,741</u>
Net Income	(33,014)	(54,228)	(87,242)
Beginning Retained Earnings - July 1	<u>733,777</u>	<u>1,389,590</u>	<u>2,123,367</u>
Beginning Retained Earnings - June 30	<u>\$ 700,763</u>	<u>\$ 1,335,362</u>	<u>\$ 2,036,125</u>

**TOWN OF ALLEN**  
Statement of Cash Flows  
Business-Type Funds  
Year Ended June 30, 2010

	Allen Public Works Authority	Allen Community Development Authority	Totals
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 250,147	\$ 15,487	\$ 265,634
Interest Received	798	943	-
Payment to Employees	(146,374)	-	(146,374)
Payment to Suppliers	(103,498)	(35,196)	(138,694)
Net Cash Provided by Operating Activities	<u>1,073</u>	<u>(18,766)</u>	<u>(19,434)</u>
Cash Flow from Capital and Related Financing Activities:			
Grant Revenue	-	-	-
Grant Expenditures - Construction in Progress	-	-	-
Net Cash Provided (Used) from Capital and Related Financing Activities:	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Investments	1,073	(18,766)	(19,434)
Cash and Investments - Beginning of Year	<u>121,759</u>	<u>41,587</u>	<u>163,346</u>
Cash and Investments - End of Year	<u><u>\$ 122,832</u></u>	<u><u>\$ 22,821</u></u>	<u><u>\$ 143,912</u></u>

**TOWN OF ALLEN**  
Statement of Cash Flows  
Business-Type Funds  
Year Ended June 30, 2010

	Allen Public Works Authority	Allen Community Development Authority	Totals
Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ (33,014)	\$ (54,228)	\$ (87,242)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation Expense	32,835	35,462	68,297
Interest Income			
Changes in:			
Accounts Receivable	(36)	-	(36)
Accrued Expenses	1,288	-	1,288
Net Cash Provided by Operating Activities	<u>\$ 1,073</u>	<u>\$ (18,766)</u>	<u>\$ (17,963)</u>

## **TOWN OF ALLEN, OKLAHOMA**

### **Notes to the Financial Statements**

June 30, 2010

#### **Note 1. Summary of Accounting Policies**

The Town of Allen, Oklahoma is a Statutory Town under Title II, Chapter 12 of the Oklahoma Statutes. The Town is governed by a Board of Trustees who elect among each other a mayor.

The Town provides a full range of services for its citizens. These services include police and fire protection, collection and disposal of refuse, water and sewer services, storm water management, parks and recreation facilities, libraries, and maintenance of streets and highways.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement, known as the Reporting Model, provides for the most significant change in financial reporting for state and local governments in over 20 years and affects the way the Town prepares and presents financial information. The Statement was adopted as of July 1, 2003. In addition to this statement, GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" have been adopted and are reflected in these financial statements.

The following is a summary of the significant accounting policies of the Town of Allen, Oklahoma:

#### **A. Financial Reporting Entity**

##### **1. Component Units**

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of the primary government (Town of Allen), as well as its component units which are legally separate organizations for which the Town Council is financially accountable. Discretely presented component units are entities that are legally separate from the Town, but for which the Town is financially accountable, or whose relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. These component units are reported in separate columns to emphasize that they are legally separate from the Town.

Based upon the criteria listed above the Town of Allen does not have any component units.

# TOWN OF ALLEN, OKLAHOMA

## Notes to the Financial Statements

June 30, 2010

### Note 1. Summary of Accounting Policies (continued)

#### **B. Basic Financial Statements**

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Town of Allen and its component units as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Town. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity.

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

# TOWN OF ALLEN, OKLAHOMA

## Notes to the Financial Statements

June 30, 2010

### Note 1. Summary of Accounting Policies (continued)

#### **B. Basic Financial Statements (continued)**

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Town are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though any fiduciary funds are excluded from the government-wide financial statements. The focus on the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expense of fund category and of the governmental and enterprise funds combined), it also gives government the option of displaying other funds as major funds. Other nonmajor funds, as well as the internal service funds, are combined in a single column on the fund financial statements.

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund. Revenues are derived primarily from sales and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Town of Allen, Oklahoma.

The Town has the following major proprietary funds which are included in these financial statements:

The Allen Public Works Authority provides water and sanitary sewer waste collection and transmission services to the citizens of Allen and accounts for operations that are financed in a manner similar to private business enterprises.

The Allen Community Development Authority was established in October 22, 2001 to promote and facilitate economic development for the Town of Allen and surrounding area.



# TOWN OF ALLEN, OKLAHOMA

## Notes to the Financial Statements

June 30, 2010

Note 1. Summary of Accounting Policies (continued)

### **B. Basic Financial Statements (continued)**

Additionally, the Town reports the following fund types:

**Special Revenue Funds** account for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities.

### **C. Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by provider have been met.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: sales and use taxes, licenses, fees and permits, charges for services, penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Town's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

# **TOWN OF ALLEN, OKLAHOMA**

## **Notes to the Financial Statements**

June 30, 2010

### **Note 1. Summary of Accounting Policies (continued)**

#### **D. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **E. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Town.

Investments are stated at cost, which approximates market unless otherwise indicated.

#### **F. Capital Assets**

Capital assets, which include property, plant, equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Assets are defined by the Town as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Property, plant, and equipment of the Town is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Vehicles	5-10
Machinery and equipment	10-20

## TOWN OF ALLEN, OKLAHOMA

### Notes to the Financial Statements

June 30, 2010

#### Note 2. Accounts Receivable

Accounts Receivable at June 30, 2010 are as follows:

##### Primary Government

	Governmental Activities	Business-Type Activities	Total
Sales & Use Tax	\$ 15,695	\$ -	\$ 15,695
Motor Vehicle Tax	581	-	581
Alcoholic Beverage	370	-	370
Utilities	-	32,280	32,280
	<u>\$ 16,646</u>	<u>\$ 32,280</u>	<u>\$ 48,926</u>

#### Note 3. Cash and Investments

The Town's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificate of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies; Collateral is required for demand deposits and certificates of deposit for all amounts not covered by Federal Deposit Insurance.

The Town's Deposits and investments are in various financial institutions as follows:

	Bank Balance	Pledged Collateral	FDIC Insurance
Farmers State Bank, Allen, OK	\$ 340,432	\$ -	\$ 500,000
Total Deposits	<u>\$ 340,432</u>	<u>\$ -</u>	

*Custodial Credit Risk*-Exposure to custodial credit risk related to deposits exist when to Town holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured or unregistered, with securities held by the counterparty or by its trusts department or agent not in the town's name.

The town secures cash deposits in excess of \$250,000 with U.S. Government or Federal Agency securities. State law requires all deposits of public funds to be collateralized; however the town does not have a formal policy for collateralizing cash deposits. At June 30, 2010 the carrying amount of the town's deposits was \$335,835 and the bank balance was \$340,432. As of June 30, 2010 none of the Town's bank balance was exposed to custodial credit risk.

## TOWN OF ALLEN, OKLAHOMA

### Notes to the Financial Statements

June 30, 2010

#### **Note 4.** Prepaid Insurance Deposits and Contingent Liabilities

The Oklahoma Municipal Assurance Group Worker's Compensation Plan (the Plan) became effective October 1, 1984. The purpose of the plan is to provide worker's compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:00 am July 1, in any year and ends at Midnight June 30, of the following calendar year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

A municipality may apply and enter into agreement with the Plan to participate in the coverage and services that the Plan offers as outlined above. Upon acceptance into the Plan, a participant has the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In additions, a participant in the Plan is responsible for complying with all requirements of the Oklahoma Worker's Compensation Act. Participants have a right to the return of any Loss Funds set aside for the claims which have not been paid out as benefits. Also, the participant has a right to receive the interest earnings on funds held by the Plan for the participant subject to bank charges and audit fees.

The Town of Allen has the following balances in the Plan at June 30, 2010:

Escrow Funds	\$ <u>1,565</u>
Reserve Funds	\$ <u>-</u>
Loss Funds	\$ <u>2,012</u>

# TOWN OF ALLEN, OKLAHOMA

## Notes to the Financial Statements

June 30, 2010

### Note 5. Capital Assets

	Balance 6/30/2009	Increases	Decreases	Balance 6/30/2010
Governmental Activities:				
Land	\$ 4,500	\$ -	\$ -	\$ 4,500
Buildings	249,000	-	-	249,000
Equipment	179,818	-	-	179,818
Total Capital Assets	<u>433,318</u>	<u>-</u>	<u>-</u>	<u>433,318</u>
Accumulated Depreciation	<u>(341,668)</u>	<u>(6,225)</u>	<u>-</u>	<u>(347,893)</u>
Capital Assets - Net	<u>\$ 91,650</u>	<u>\$ (6,225)</u>	<u>\$ -</u>	<u>\$ 85,425</u>
	Balance 6/30/2009	Increases	Decreases	Balance 6/30/2010
Business Activities:				
Land	\$ 27,970	\$ -	\$ -	\$ 27,970
Building	1,474,131	-	-	1,474,131
Autos, Trucks & Equipment	175,139	-	-	175,139
Water and Sewer System	1,102,365	-	-	1,102,365
Total Capital Assets	<u>2,779,605</u>	<u>-</u>	<u>-</u>	<u>2,779,605</u>
Accumulated Depreciation	<u>(830,078)</u>	<u>(68,297)</u>	<u>-</u>	<u>(898,375)</u>
Capital Assets - Net	<u>\$ 1,949,527</u>	<u>\$ (68,297)</u>	<u>\$ -</u>	<u>\$ 1,881,230</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWN OF ALLEN, OKLAHOMA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2010**

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 182,000	\$ 182,000	\$ 196,635	\$ 14,635
Intergovernmental	4,500	4,500	5,219	719
Charges for Service	3,500	3,500	2,654	(846)
Grant Revenue	-	-	-	-
Fines and Forfeitures	20,200	20,200	52,515	32,315
Miscellaneous	15,000	15,000	32,343	17,343
Investment Income	1,200	1,200	1,964	764
Donations	-	-	12,858	12,858
Total Revenues	226,400	226,400	304,188	77,788
<b>Expenditures</b>				
Administration	61,000	68,600	63,164	5,436
Municipal Court	4,900	10,300	10,284	16
Police	135,000	113,000	112,540	460
Fire	25,000	24,000	23,490	510
Animal Control	10,800	6,300	6,245	55
Park and Recreation	7,500	14,000	13,792	208
Library	30,000	38,000	37,865	135
Grant Expenditures	-	-	-	-
Total Expenditures	274,200	274,200	267,380	6,820
Excess of Revenue Over (Under) Expenditures	(47,800)	(47,800)	36,808	84,608
Beginning Fund Balance - July 1	60,000	60,000	137,328	77,328
Ending Fund Balance - June 30	\$ 12,200	\$ 12,200	\$ 174,136	\$ 161,936

**SUPPLEMENTAL INFORMATION**



## TOWN OF ALLEN, OKLAHOMA

Combining Balance Sheet

Other Governmental Funds

June 30, 2010

	Street and Alley	Cemetery	Capital Improvement	Veteran's Memorial	Total
<u>ASSETS</u>					
Cash	\$ (37,221)	\$ 31,857	\$ 3,587	\$ 1,716	\$ (61)
Investments	-	-	-	-	-
Receivables:					
Intergovernmental	581	-	-	-	581
Other	-	-	-	-	-
Other Assets	-	-	-	-	-
Total Assets	<u>\$ (36,640)</u>	<u>\$ 31,857</u>	<u>\$ 3,587</u>	<u>\$ 1,716</u>	<u>\$ 520</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 283	\$ 323	\$ -	\$ -	\$ 606
Total Liabilities	<u>283</u>	<u>323</u>	<u>-</u>	<u>-</u>	<u>606</u>
<u>RESERVES AND FUND EQUITY</u>					
Fund Balances	(36,923)	31,534	3,587	1,716	(86)
Total Reserves and Fund Equity	<u>(36,923)</u>	<u>31,534</u>	<u>3,587</u>	<u>1,716</u>	<u>(86)</u>
TOTAL LIABILITIES, RESERVES & FUND EQUITY	<u>\$ (36,640)</u>	<u>\$ 31,857</u>	<u>\$ 3,587</u>	<u>\$ 1,716</u>	<u>\$ 520</u>

**TOWN OF ALLEN, OKLAHOMA**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Other Governmental Funds  
Year Ended June 30, 2010

	Street and Alley	Cemetery	Capital Improvement	Veteran's Memorial	Total
<b>Revenues</b>					
Intergovernmental	\$ 7,901	\$ -	\$ -	\$ -	\$ 7,901
Charges for Service	-	2,400	-	-	2,400
Grant Revenue	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	-	175	-	-	175
Investment Income	-	52	-	-	52
Donations	-	2,972	-	1,716	4,688
Total Revenues	<u>7,901</u>	<u>5,599</u>	<u>-</u>	<u>1,716</u>	<u>15,216</u>
<b>Expenditures</b>					
Personal Services	1,390	15,667	-	-	17,057
Maintenance & Operation	18,992	4,277	-	-	23,269
Capital Outlays	-	-	-	-	-
Project Expenditures	-	-	-	-	-
Total Expenditures	<u>20,382</u>	<u>19,944</u>	<u>-</u>	<u>-</u>	<u>40,326</u>
Excess of Revenues Over (Under) Expenditures	(12,481)	(14,345)	-	1,716	(25,110)
Beginning Fund Balance-July 1	<u>(24,442)</u>	<u>45,879</u>	<u>3,587</u>	<u>-</u>	<u>25,024</u>
Ending Fund Balance - June 30	<u>\$ (36,923)</u>	<u>\$ 31,534</u>	<u>\$ 3,587</u>	<u>\$ 1,716</u>	<u>\$ (86)</u>

Honorable Mayor and Town Council  
Town of Allen  
Allen, Oklahoma

## 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 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.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

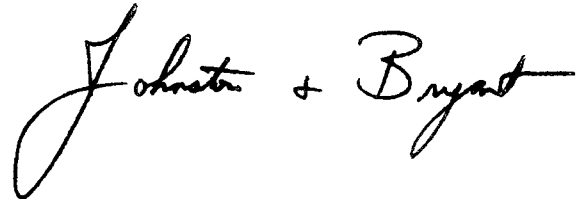
Honorable Mayor and Town Council  
Town of Allen  
Allen, Oklahoma  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Allen'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 and use of the audit committee, management, others within the organization, Town Council, and 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.

June 23, 2011

A handwritten signature in black ink, appearing to read "Johnston & Bryant". The signature is written in a cursive, flowing style with a large initial 'J' and 'B'.