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Town of Asher, Oklahoma
Financial Statements and Report
of Independent Accountants
As of and For the Year Ending
June 30, 2011

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Report of Independent Accountants

To the Board of Trustees
Town of Asher, 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 Asher, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type *activities* and the aggregate remaining fund information of the Town of Asher, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011 on our consideration of the Town'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 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.

Management has elected to not present a management, discussion, and analysis, a budget to actual comparison and employee pension and retirement plan information as is required by generally accepted accounting principles in the United States of America.


September 23, 2011

**Town of Asher
Statement of Net Assets
As of June 30, 2011**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash in bank	\$ 136,761.04	\$ 23,831.20	\$ 160,592.24
Restricted Cash	172,685.45	148,420.13	321,105.58
Due From Other Funds	12,463.00	-	12,463.00
Total Current Assets	<u>321,909.49</u>	<u>172,251.33</u>	<u>494,160.82</u>
Noncurrent Assets:			
Net Capital Assets	647,564.30	350,347.39	997,911.69
Net Property and Equipment	647,564.30	350,347.39	997,911.69
TOTAL ASSETS	<u>\$ 969,473.79</u>	<u>\$ 522,598.72</u>	<u>\$ 1,492,072.51</u>
LIABILITIES			
Current Liabilities:			
Meter Deposits	-	10,057.00	10,057.00
Due To Other Funds	-	12,463.00	12,463.00
Current Portion of LTD	-	10,000.00	10,000.00
Total Current Liabilities	<u>-</u>	<u>32,520.00</u>	<u>32,520.00</u>
Noncurrent Liabilities:			
Notes Payable	19,817.84	165,000.00	184,817.84
Total Long-Term Liabilities	<u>19,817.84</u>	<u>165,000.00</u>	<u>184,817.84</u>
Total Liabilities	<u>\$ 19,817.84</u>	<u>\$ 197,520.00</u>	<u>\$ 217,337.84</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	\$ 627,746.46	\$ 175,347.39	\$ 803,093.85
Net Assets - Unrestricted	321,909.49	149,731.33	471,640.82
Total Net Assets	<u>949,655.95</u>	<u>325,078.72</u>	<u>1,274,734.67</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 969,473.79</u>	<u>\$ 522,598.72</u>	<u>\$ 1,492,072.51</u>

Town of Asher
Statement of Activities
For the Year Ending June 30, 2011

Functions/Programs	Program Revenues				Net (expense) revenue and Changes in net assets		Total
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities		
Primary Government							
Governmental Activities							
General Government	138,409.22	11,175.75	27,540.00	(99,693.47)	-	(99,693.47)	
Court Department	29,469.88	-	-	(29,469.88)	-	(29,469.88)	
Police Department	130,740.36	229,560.93	-	98,820.57	-	98,820.57	
Fire Department	36,807.57	-	4,397.72	(32,409.85)	-	(32,409.85)	
Hud Project	260,003.00	-	260,003.00	-	-	-	
Street and Alley	36,852.49	9,541.18	-	(27,311.31)	-	(27,311.31)	
Emergency Management	236.41	172.00	-	(64.41)	-	(64.41)	
Total Governmental Activities	632,518.93	250,449.86	291,940.72	(90,128.35)	-	(90,128.35)	
Business-Type Activities							
Water Department	99,872.80	76,029.29	-	-	(23,843.51)	(23,843.51)	
Sewer Department	60,035.37	30,765.70	-	-	(29,269.67)	(29,269.67)	
Garbage Department	27,433.60	35,960.96	-	-	8,527.36	8,527.36	
Total Business-Type Activities	187,341.77	142,755.95	-	-	(44,585.82)	(44,585.82)	
Total Primary Government	\$ 819,860.70	\$ 393,205.81	\$ 296,338.44	\$ (90,128.35)	\$ (44,585.82)	\$ (134,714.17)	
General Revenues							
Sales Taxes				61,110.32	-	61,110.32	
Other Taxes				54,661.51	-	54,661.51	
Transfers In/Out				(18,806.17)	18,806.17	-	
Interest Income				1,314.75	1,002.95	2,317.70	
Total General Government Revenue				98,280.41	19,809.12	118,089.53	
Change in Net Assets				8,152.06	(24,776.70)	(16,624.64)	
Net Assets Beginning				941,503.89	349,855.42	1,291,359.31	
Net Assets Ending				\$ 949,655.95	\$ 325,078.72	\$ 1,274,734.67	

**Town of Asher
Balance Sheet
Governmental Funds
June 30, 2011**

	General Fund	Special Revenue Fund	Total Governmental Fund
ASSETS			
Cash in Bank - Unrestricted	\$ 29,311.21	\$ 107,449.83	\$ 136,761.04
Restricted Cash	-	172,685.45	172,685.45
Due From Other Funds	12,463.00	-	12,463.00
Total Assets	\$ 41,774.21	\$ 280,135.28	\$ 321,909.49
 LIABILITIES			
 NET ASSETS			
Unrestricted	\$ 41,774.21	\$ -	\$ 41,774.21
Assigned	-	280,135.28	280,135.28
TOTAL NET ASSETS	41,774.21	280,135.28	321,909.49
 TOTAL LIABILITIES AND NET ASSETS	 \$ 41,774.21	 \$ 280,135.28	 \$ 321,909.49

*Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities - June 30, 2011*

Total Governmental Fund Balances	\$ 321,909.49
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(19,817.84)
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	647,564.30
Net Assets of Governmental Activities	\$ 949,655.95

Town of Asher
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending June 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Fund
Revenues			
Taxes	\$ 70,423.44	\$ 45,348.39	\$ 115,771.83
Charges for Services	7,855.00	12.00	7,867.00
Fines	-	229,560.93	229,560.93
Interest	1,183.06	131.69	1,314.75
Grants	287,543.00	4,397.72	291,940.72
Capital Financing	-	26,133.75	26,133.75
Other Revenues	3,480.75	9,541.18	13,021.93
Total Revenues	370,485.25	315,125.66	685,610.91
Expenditures			
Current Operations:			
General Government	123,511.60	-	123,511.60
Police Department	-	120,591.17	120,591.17
Fire Department	-	36,807.57	36,807.57
HUD Project	260,003.00	-	260,003.00
Court Department	-	29,469.88	29,469.88
Emergency Management Department	-	236.41	236.41
Street Department	-	36,852.49	36,852.49
Capital Expenditures	-	26,133.75	26,133.75
Total Expenses	383,514.60	250,091.27	633,605.87
Excess Revenues over (under) expenditures	(13,029.35)	65,034.39	52,005.04
Transfers in/out	17,574.56	(55,378.48)	(18,806.17)
Excess Revenues over (under) expenditures	4,545.21	9,655.91	33,198.87
Fund Balances at beginning of year	37,229.00	251,481.62	288,710.62
Fund Balances at ending of year	\$ 41,774.21	\$ 261,137.53	\$ 321,909.49

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the Year Ending June 30, 2011

Net Change in fund balances-total governmental funds	33,198.87
Depreciation charged to governmental wide financial statements not recorded in the fund financial statements	(31,362.72)
Funds borrowed that were recorded as an expense in the fund financial statements but recorded as a long term liability in the government wide financial statements	(26,133.75)
Principal paid on long term debt recorded as an expense in the fund financial statements but as a reduction of debt in the the government wide financial statements	6,315.91
Capital expenditures records as reductions in net assets in the fund financial statements but capitalized as fixed assets in the governmental financial statements	26,133.75
Change in Net Assets of governmental activities	\$ 8,152.06

**Town of Asher
Statement of Net Assets
Proprietary Fund
June 30, 2011**

	Public Works Authority
ASSETS	
Current Assets:	
Cash in Bank	\$ 23,831.20
Cash in Bank - Restricted	<u>148,420.13</u>
Total Current Assets	172,251.33
Noncurrent Assets	
Net Capital Assets	<u>350,347.39</u>
Total Noncurrent Assets	<u>350,347.39</u>
TOTAL ASSETS	\$ 522,598.72
LIABILITIES	
Current Liabilities:	
Meter Deposits	10,057.00
Due To Other Funds	12,463.00
Current Portion of Long Term Debt	<u>10,000.00</u>
Total Current Liabilities	<u>32,520.00</u>
Noncurrent Liabilities	
Bonds and Notes	<u>165,000.00</u>
Total Noncurrent Liabilities	<u>165,000.00</u>
TOTAL LIABILITIES	\$ 197,520.00
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	175,347.39
Unrestricted	<u>149,731.33</u>
TOTAL NET ASSETS	325,078.72
TOTAL LIABILITIES AND NET ASSETS	\$ 522,598.72

Town of Asher
Statement of Revenues Over Expenditures and Changes in Retained Earnings
Proprietary Funds
For the Year Ending June 30, 2011

	Public Works Authority
Operating Revenues:	
Water Sales	\$ 69,309.90
Sewer Fees	30,765.70
Garbage Fees	35,960.96
Miscellaneous	6,719.39
Total Operating Revenues	142,755.95
 Operating Expenses:	
Water Department	99,872.80
Sewer Department	60,035.37
Garbage Department	27,433.60
Total Operating Expenses	187,341.77
Operating Income (Loss)	\$ (44,585.82)
 Non-operating revenues (expenses)	
Tranfers In/Out	18,806.17
Interest Income	1,002.95
Net non-operating revenues (expenses)	19,809.12
Net Income (Loss)	\$ (24,776.70)
Retained Earnings, Beginning of Year	349,855.42
Retained Earnings, End of Year	\$ 325,078.72

**Town of Asher
Statement of Cash Flows
Proprietary Fund
For the Year Ending June 30, 2011**

	Public Works Authority
Cash flows from operating activities	
Receipts from customers	\$ 143,758.90
Payments to suppliers	(77,726.21)
Payments to employees	(65,217.78)
Net cash provided by operating activities	814.91
 Cash flows from capital and related financing activities	
Principal paid on long term debt	(4,800.00)
Net cash flows from capital and related financing activities	(4,800.00)
 Cash flows from investing activities	
Net increase (decrease) in cash	(3,985.09)
 Cash, Beginning of the Year	176,236.42
Cash, End of the Year	\$ 172,251.33
 <i>Reconciliation of change in net assets to net cash provided by operations:</i>	
Change in Net Assets	(24,776.70)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	25,815.61
Change in assets and liabilities:	
Accounts payable	(224.00)
Net cash provided by operating activities	\$ 814.91

Note 1-Summary of Significant Accounting Policies

Financial Reporting Entity

The Town of Asher, Oklahoma is a statutory town Government under Oklahoma Statutes. The Town provides the following services: Utility safety, streets and highways, sanitation, Utility improvements, utilities and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2011, the Town had only one component unit, the Asher Utility Development Authority.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are grouped into two governmental fund types - general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2011, the Town had governmental funds of general fund, cemetery care, fixed asset and long term debt. The proprietary funds consisted of the Asher Utility Development Authority.

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments 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. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

GOVERNMENTAL FUNDS

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursement due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. Other revenues, including licenses and permits, certain charges for services and miscellaneous income are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decrease in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation of costs, such as depreciation, are recorded in proprietary funds. The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable then Government Accounting Standards Board pronouncements are used.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of meter deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2011.

Budget

In accordance with Oklahoma Statutes, Title 68, Section 3002, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code.

Risk Management

Significant losses are covered by commercial insurance for all Town operations.

Estimates

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

Note 2-Deposits with Financial Institutions

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Asher is considered a separate entity from the Asher Utility Development Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the town of Asher's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of \$250,000 for the governmental funds and \$250,000 for the Asher Utility Development Authority. The remaining funds would be categorized as category 3.

Note 3-Capital Assets and Depreciation

Capital Asset activity for the year ended June 30, 2011 was as follows:

Governmental Funds

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Land	\$ 18,400	-	-	\$ 18,400
Equipment	134,462	-	-	134,462
Vehicles	232,481	26,114	-	258,595
Buildings & Improvements	704,645	-	-	704,645
Total	1,089,988			1,116,102
Accumulated Depreciation	(428,497)	(40,060)	-	(468,557)
Net Assets	<u>\$ 661,491</u>			<u>\$ 647,544</u>

As of June 30, 2011, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available.

Utility Development Authority

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Equipment	\$ 7,962	-	-	\$ 7,962
Buildings	4,045	-	-	4,045
Water System	293,957	-	-	293,957
Sewer System	751,486	-	-	751,486
Total	1,057,450			1,057,450
Accumulated Depreciation	(681,287)	(25,816)	-	(707,103)
Net Assets	<u>\$ 376,163</u>			<u>\$ 350,347</u>

As of June 30, 2011, the Utility Development Authority had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available.

Depreciation was recorded as follows: General Government – \$14,897; Public Safety - \$16,465; Street & Alley Department - \$8,698; and Utility Development Authority - \$25,816.

Note 4-Notes Payable

Asher Utility Development Authority

The Asher Utility Development Authority had one Revenue Bond outstanding with a balance of \$175,000 as of June 30, 2011. The Revenue Bond was originally issued as a series 1997 bond for \$250,000. The bond requires annual installments ranging from \$5,000 to \$20,000 through August 26, 2023, with interest at 5.75% to 6.40%, secured by a lien on the revenues derived from the operation of the municipal water and sewer systems.

In conjunction with the issuance of the 1997 Revenue Bonds an underwriter discount of \$10,000 was incurred. This discount is being amortized over the term of the debt issue. Annual payments required to amortize the bond area as follows:

	Principal	Interest		
2011/2012	10,000	10,395	Balance, Beginning of year	\$ 185,000
2012/2013	10,000	9,775	Principal Paid during year	<u>10,000</u>
2013/2014	10,000	9,210	Balance, End of Year	<u>\$ 175,000</u>
2014/2015	10,000	8,590		
2015/2016	10,000	7,970		
2016/2021	85,000	37,375		
2021/2023	40,000	4,320		
Total	<u>175,000</u>	<u>87,635</u>		

Original bond issuance costs of \$4,250 are being amortized on the straight-line basis over 25 years, which is the term of the bond issue. At June 30, 2011 the unamortized balance of these debt issuance costs was \$2,040.

Town of Asher

A note payable to BancFirst carries an interest rate of 4.5%. These monies were used to purchase a Tahoe for the Police Department. Collateral for this loan is the vehicle. The balance of this note as of June 30, 2011 was \$19,817 and matures in December 2012. The town paid \$6,315 in principal and \$595 in interest on this obligation for the year ending June 30, 2011. Payments on this note are \$13,821 per year.

	Principal	Interest			
2011/2012	13,075	46	Balance, Beginning of year	\$	26,134
2012/2013	6,742	152	Principal Paid during year		6,317
Total	\$ 19,817	\$ 198	Balance, End of Year	\$	19,817

Note 5-Volunteer Firefighter Pension Plan

The Town participates in the Oklahoma State Firefighters Pension and Retirement system which is a defined contribution plan applying only to the Town's volunteer firefighters. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. Contributions are made by the town at the rate of \$60 per volunteer firefighter per year. The total contribution for 2010/2011 was \$900 and covered 15 volunteers.

Note 6 – Subsequent Events

Subsequent events have been evaluated through September 23, 2011, which is the date the financial statements were issued.

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

To the Town Council
Town of Asher, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Asher, Oklahoma as of and for the year ended June 30, 2011, and have issued our report thereon dated September 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it

This report is intended for the information and use of the Town Council and management of the Town and is not intended to be and should not be used by anyone other than these parties.

Casey J. Russell CPA, Inc.
September 23, 2011