

TOWN OF BEAVER  
BEAVER, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS  
AND ACCOMPANYING  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED  
JUNE 30, 2014

**TOWN OF BEAVER, OKLAHOMA**  
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**For the fiscal year ended JUNE 30, 2014**

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**TOWN OF BEAVER, OKLAHOMA**

**LIST OF PRINCIPAL OFFICIALS**

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TOWN COUNCIL

Denise Janko, Mayor

Billy Cates

Brenda Maness

Blane Smylie

Debbie Brennon

INTERIM TOWN ADMINISTRATOR

James Pratt

TOWN TREASURER

Lori Downing

TOWN CLERK

María Casas

## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Beaver, Oklahoma

### **Report on the Financial Statements**

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 Town of Beaver, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Beaver, Oklahoma, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2015, on our consideration of the Town of Beaver, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Beaver, Oklahoma's internal control over financial reporting and compliance.

**FSW&B CPAs-PLLC**

FSW&B CPA's-PLLC  
Woodward, OK  
March 10, 2015

Our discussion and analysis of the Town of Beaver's ("Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2014. The Town's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the Town's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the Town's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$2,369,939 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$1,746,295.
- Total liabilities of the Town were \$295,817 of which \$158,989 represents long term debt outstanding.
- Total net position is comprised of the following:
  - 1) Invested in capital assets, net of related debt, of \$1,281,819 includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
  - 2) Unrestricted net position of \$1,061,318 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
  - 3) Reserve for restricted purposes of \$26,802 is restricted for debt and other obligations.
- The Town's governmental funds reported total ending fund balance of \$922,214 at June 30, 2014.

## OVERVIEW OF THE FINANCIAL STATEMENTS

*Management's Discussion and Analysis* introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report additional information to supplement the basic financial statements.

### **Government-wide Financial Statements**

The Town's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other financial factors such as diversification of the taxpayer base or the condition of the Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government; public safety; transportation; and recreation. Business-types activities include utility services provided by the Town. Fiduciary activities, including municipal bond activity, are excluded from the government-wide statements since these assets are not available to fund Town programs.

The Town's financial reporting entity includes the funds of the Town (primary government) comprising of governmental and business-type activities. Management's Discussion and Analysis will focus on the Town's primary government.

#### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole.

The Town has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for the General Fund. This statement demonstrates compliance with the Town's adopted and final revised budget.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The Town has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Town organization such as water and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

#### ***Notes to the financial statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

#### ***Other information***

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the Town's compliance with the approved and revised budget for the General Fund.

### **A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

Changes in net position may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net position at fiscal yearend was \$2,369,939. The following table provides a summary of the Town's net position at June 30:

	Governmental Activities		Business-Type Activities		Totals		Change	
	2014	2013	2014	2013	2014	2013	\$	%
Current assets	\$ 183,532	\$ 337,324	\$ 98,012	\$ 112,890	\$ 281,544	\$ 450,214	\$ (168,670)	-37%
Restricted assets	806,480	182,078	145,699	141,399	952,179	323,477	628,702	194%
Capital assets, net	1,284,758	1,141,425	147,275	96,668	1,432,033	1,238,093	193,940	16%
<b>Total assets</b>	<b>\$ 2,274,770</b>	<b>\$ 1,660,827</b>	<b>\$ 390,986</b>	<b>\$ 350,957</b>	<b>\$ 2,665,756</b>	<b>\$ 2,011,784</b>	<b>\$ 653,972</b>	<b>33%</b>
Current liabilities	\$ 67,798	\$ 23,858	\$ 69,030	\$ 96,919	\$ 136,828	\$ 120,777	\$ 16,051	13%
Non-current liabilities	-	6,385	158,989	138,327	158,989	144,712	14,277	10%
<b>Total liabilities</b>	<b>67,798</b>	<b>30,243</b>	<b>228,019</b>	<b>235,246</b>	<b>295,817</b>	<b>265,489</b>	<b>30,328</b>	<b>11%</b>
Net position								
Invested in capital assets, net of related debt	1,278,373	1,128,735	3,446	(106,850)	1,281,819	1,021,885	259,934	25%
Restricted	25,563	127,814	1,239	2,304	26,802	130,118	(103,316)	100%
Unrestricted	903,036	374,035	158,282	220,257	1,061,318	594,292	467,026	79%
<b>Total net position</b>	<b>\$ 2,206,972</b>	<b>\$ 1,630,584</b>	<b>\$ 162,967</b>	<b>\$ 115,711</b>	<b>\$ 2,369,939</b>	<b>\$ 1,746,295</b>	<b>\$ 623,644</b>	<b>36%</b>

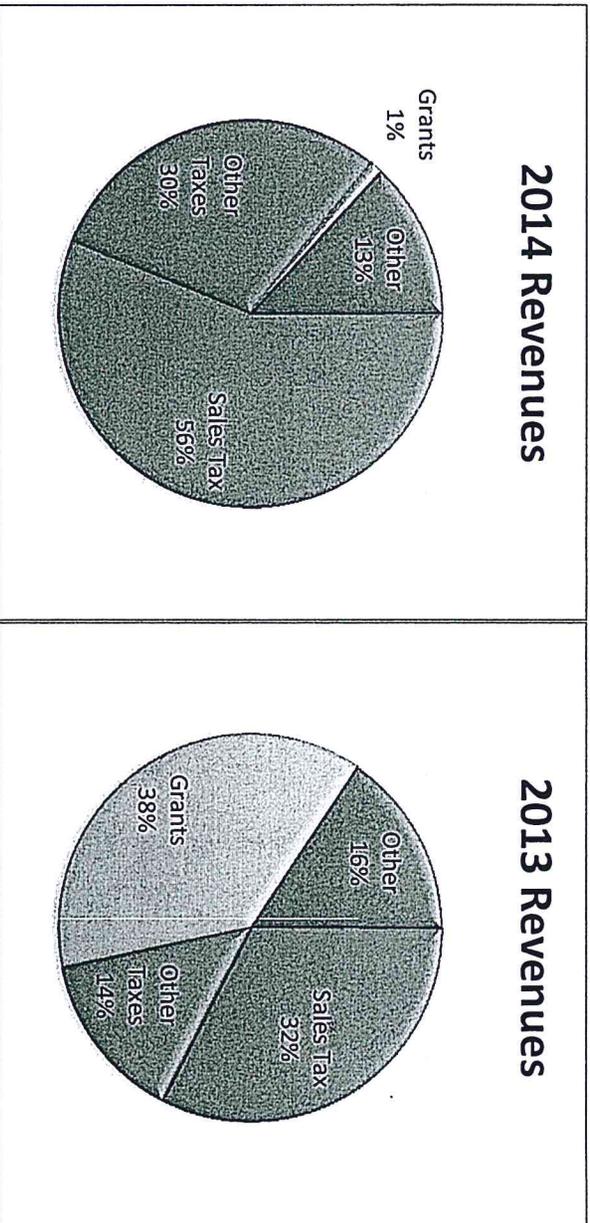
The Town reported positive balances in net position for both governmental and business-type activities. The Town's overall financial position improved 36% during fiscal year 2014, including prior period adjustment. Assets noted a parted increase due to capital asset additions and the inclusion of restricted investments.

	Governmental Activities		Business-type Activities		Totals		Change	
	2014	2013	2014	2013	2014	2013	\$	%
<b>Revenues</b>								
Program revenues	\$ 153,461	\$ 606,955	\$ 647,854	\$ 657,565	\$ 801,315	\$ 1,264,520	\$ (463,205)	-37%
Taxes and other general revenues	672,993	724,628	16,905	23,407	689,898	748,035	(58,137)	-8%
<b>Total revenues</b>	<b>826,454</b>	<b>1,331,583</b>	<b>664,759</b>	<b>680,972</b>	<b>1,491,213</b>	<b>2,012,555</b>	<b>(521,342)</b>	<b>-26%</b>
<b>Expenses</b>								
General government	270,826	247,921	-	-	270,826	247,921	22,905	9%
Public safety and judiciary	263,003	241,705	-	-	263,003	241,705	21,298	9%
Transportation	196,669	183,906	-	-	196,669	183,906	12,763	7%
Recreation	133,737	144,373	-	-	133,737	144,373	(10,636)	-7%
Water	-	-	231,720	208,760	231,720	208,760	22,960	11%
Sewer	-	-	50,154	30,977	50,154	30,977	19,177	62%
Sanitation	-	-	168,624	162,749	168,624	162,749	5,875	4%
Customer service	-	-	142,836	177,732	142,836	177,732	(34,896)	-20%
<b>Total expenses</b>	<b>864,235</b>	<b>817,905</b>	<b>593,334</b>	<b>580,218</b>	<b>1,457,569</b>	<b>1,398,123</b>	<b>59,446</b>	<b>4%</b>
Excess (deficiency) before transfers	(37,781)	513,678	71,425	100,754	33,644	614,432	(580,788)	-95%
Transfers	24,169	95,070	(24,169)	(95,070)	-	-	-	0%
<b>Increase (decrease) in net assets</b>	<b>\$ (13,612)</b>	<b>\$ 608,748</b>	<b>\$ 47,256</b>	<b>\$ 5,684</b>	<b>\$ 33,644</b>	<b>\$ 614,432</b>	<b>\$ (580,788)</b>	<b>-95%</b>

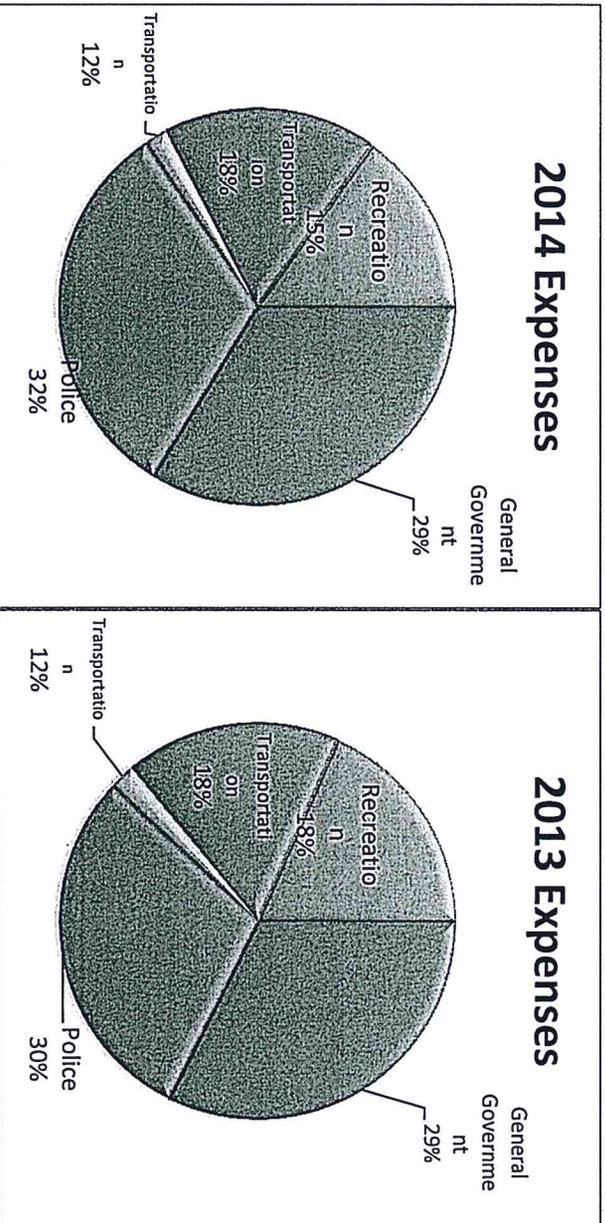
Revenues for the Town noted a significant decrease when compared to fiscal year 2013. This decrease is attributable to a decline in sales tax receipts of approximately 7% and use tax receipts of approximately 74% coupled with a decrease in grant revenues. In fiscal year 2013, the Town received over \$450,000 in grant funding for city-wide sidewalk improvement project as reported in program revenues of governmental funds. These funds were used for capital improvements during fiscal year 2013.

Expenses for the Town remained consistent year over year, noting a 4% increase in the cost of operating the Town.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the Town's activities for fiscal year 2014 and 2013.

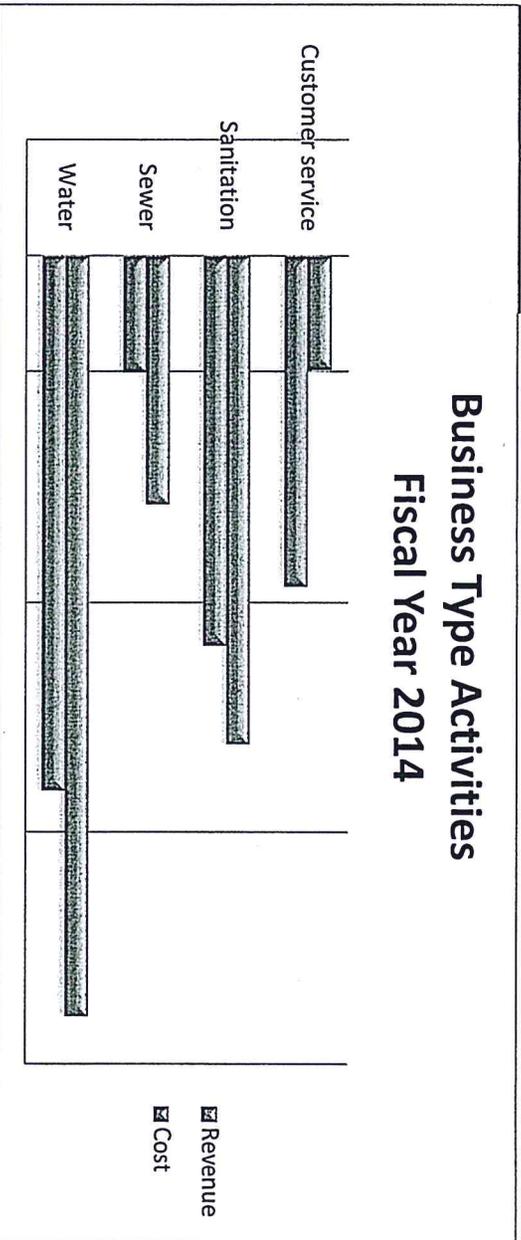


Grant funding provided 1% of the Town's governmental revenues in fiscal year 2014 compared to 38% in fiscal year 2013. This is a direct result of the sidewalk grant administered during fiscal year 2013. The largest source was sales tax providing 56% of total governmental revenues in fiscal year 2014.



This graph shows the total governmental activities cost of \$765,575 for 2014. Of this amount, general government at \$258,548, was the largest operating service cost, at 29% of total cost of services in 2014, which is consistent with prior year. These costs, as well as all governmental activities expense, were primarily funded by taxes and utility revenues transferred from the Beaver Public Works Authority. It should be noted that governmental expenses were significantly adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. For the government-wide full accrual statements, capital outlay expenses are eliminated and capital assets reported.

**Business-type Activities**



Business-type activities are shown comparing costs to revenues generated by related services. Sanitation, sewer, and water activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

**General Fund Budgetary Highlights**

The original adopted General Fund budget for fiscal year 2014 was \$1,009,826. There were no budget amendments made during the fiscal year. The General Fund budget complied in all material respects with financial policies approved by the Town.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2014, the Town had \$1,281,819 invested in capital assets, net of depreciation, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities. See table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total
	2014	2013	2014	2013	
Construction in process	\$ 5,500	\$ 5,500	\$ 25,500	\$ -	\$ 31,000
Buildings	348,217	371,431	-	-	348,217
Other improvements	842,944	728,540	80,291	85,116	923,235
Machinery & equipment	88,096	35,953	41,484	11,552	129,580
Totals	\$ 1,284,757	\$ 1,141,424	\$ 147,275	\$ 96,668	\$ 1,432,032
					\$ 1,238,092

The most significant additions for the Town included:

- Water infrastructure improvements, including a submersible pump and well repairs
- Continued work on 2<sup>nd</sup> Street paving and improvements
- Compact loader and ranger for the Dunes
- Huster zero turn mower for the Parks
- Airport runway overlay

Long-Term Debt

At year-end, the Town had \$143,829 in long-term debt outstanding. The Town's changes in long-term debt by type of debt are as follows:

	Governmental		Business-type		Total
	2014	2013	2014	2013	
Notes payable	6,385	12,690	\$ 180,712	\$ 203,517	\$ 187,097
less current portion	(6,385)	(6,305)	(36,883)	(79,286)	(43,268)
Totals	\$ -	\$ 6,385	\$ 143,829	\$ 124,231	\$ 143,829
					\$ 130,616

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Economic Environment

According to the Oklahoma Economic Report, the state's gross receipts are higher than ever before. State Treasurer, Ken Miller, stated when talking about July 2014 sales tax "collections have been higher than the same month of the prior year in 45 of the past 51 months, which indicates a steady economic expansion". Unemployment numbers from June 2014 reflect Oklahoma's relative economic strength compared to the nation as a whole, reporting 4.5% statewide compared to 6.1% nationally. The economic environment of the state sheds light on the local economy.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's Office the Beaver City Hall.

**Town of Beaver, Oklahoma**  
**Statement of Net Position**  
**June 30, 2014**

	ASSETS		Total
	Governmental Activities	Business-type Activities	
Current Assets:			
Cash and cash equivalents	\$ 125,970	\$ 63,001	\$ 188,971
Accounts receivable (net)	55,003	37,570	92,573
Due from other funds	2,559	(2,559)	-
Total current assets	183,532	98,012	281,544
Restricted assets:			
Cash and cash equivalents	216,480	20,699	237,179
Investments, including time deposits	590,000	125,000	715,000
Total restricted assets	806,480	145,699	952,179
Noncurrent Assets:			
Other capital assets (net of accumulated depreciation)	1,284,758	147,275	1,432,033
Total noncurrent assets	1,284,758	147,275	1,432,033
Total assets	\$ 2,274,770	\$ 390,986	\$ 2,665,756
	<b>LIABILITIES</b>		
Current liabilities:			
Accounts payable	\$ 55,711	\$ 27,234	\$ 82,945
Salary and benefits payable	5,702	4,913	10,615
Current portion of long term debt	6,385	36,883	43,268
Total current liabilities	67,798	69,030	136,828
Long-term liabilities:			
Customer deposits payable	-	15,160	15,160
Long-term debt	-	143,829	143,829
Total long-term liabilities	-	158,989	158,989
Total liabilities	67,798	228,019	295,817
	<b>NET POSITION</b>		
Invested in capital assets, net of related debt	1,278,373	3,446	1,281,819
Restricted	25,563	1,239	26,802
Unrestricted	903,036	158,282	1,061,318
Total net position	\$ 2,206,972	\$ 162,967	\$ 2,369,939

**Town of Beaver, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
<b>Governmental activities:</b>					
General government:					
General government	\$ 270,826	\$ 10,864	\$ -	\$ 6,000	\$ (253,962)
Public safety	263,003	8,083	-	-	(254,920)
Transportation	196,669	11,909	30,852	-	(153,908)
Recreation	133,737	33,285	-	52,488	(47,984)
Total governmental activities	\$ 864,235	\$ 64,121	\$ 30,852	\$ 58,488	\$ (710,774)
<b>Business-type activities:</b>					
<b>Utility services:</b>					
Water	\$ 231,720	\$ 329,267	\$ -	\$ -	\$ 97,547
Sewer	50,154	107,151	-	-	56,997
Sanitation	168,624	211,436	-	-	42,812
Customer service	142,836	-	-	-	(142,836)
Total business-type activities	593,334	647,854	-	-	54,520
<b>Total primary government</b>	<b>\$ 1,457,569</b>	<b>\$ 711,975</b>	<b>\$ 30,852</b>	<b>\$ 58,488</b>	<b>\$ (656,254)</b>

Town of Beaver, Oklahoma  
Statement of Activities (continued)  
Year Ended June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (710,774)	\$ 54,520	\$ (656,254)
General revenues:			
Taxes:			
Sales tax	385,439	-	385,439
Use tax	33,820	-	33,820
Franchise taxes	49,607	-	49,607
Alcoholic beverage tax	119,898	-	119,898
Cigarette tax	4,559	-	4,559
Investment income	13,976	879	14,855
Penalties	-	10,312	10,312
Miscellaneous	65,694	5,714	71,408
Transfers - Internal activity, net	24,169	(24,169)	-
Total general revenues and transfers	697,162	(7,264)	689,898
<b>Change in net position</b>	<b>(13,612)</b>	<b>47,256</b>	<b>33,644</b>
<b>Net position-beginning</b>	<b>1,630,584</b>	<b>115,711</b>	<b>1,746,295</b>
Prior period adjustment	590,000	-	590,000
<b>Net position-ending</b>	<b>\$ 2,206,972</b>	<b>\$ 162,967</b>	<b>\$ 2,369,939</b>

Town of Beaver, Oklahoma  
Balance Sheet  
Governmental Funds  
June 30, 2014

	General Fund	Alice Spohn Newton Endow Fund	Bus Transit Fund	Beaver Dunes Fund	Total Governmental Fund
<b>ASSETS</b>					
Cash	\$ 269,417	\$ 19,003	\$ 1,199	\$ 52,831	\$ 342,450
Investments	590,000	-	-	-	590,000
Taxes receivable	49,857	-	-	5,146	55,003
Due to other funds	2,559	-	-	-	2,559
Total assets	\$ 911,833	\$ 19,003	\$ 1,199	\$ 57,977	\$ 990,012
<b>LIABILITIES</b>					
Accounts payable	\$ 52,611	\$ -	\$ -	\$ 3,100	\$ 55,711
Salaries and benefits payable	5,702	-	-	-	5,702
Current portion of long-term debt	6,385	-	-	-	6,385
Total liabilities	64,698	-	-	3,100	67,798
<b>FUND BALANCES</b>					
Restricted	6,560	19,003	-	-	25,563
Assigned	367,790	-	1,199	54,877	423,866
Unassigned	472,785	-	-	-	472,785
Total fund balances	847,135	19,003	1,199	54,877	922,214
Total liabilities and fund balances	\$ 911,833	\$ 19,003	\$ 1,199	\$ 57,977	\$ 990,012

Total fund balance- total governmental funds 922,214

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

Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.

Land and construction in process	\$ 5,500
Capital assets	2,699,046
Less: Accumulated depreciation	(1,419,788)
	<u>1,284,758</u>

Net assets of governmental activities

\$ 2,206,972

**Town of Beaver, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2014**

	General Fund	Alice Spohn Newton Endow Fund	Bus Transit Fund	Beaver Dunes Fund	Total Governmental Fund
<b>REVENUES</b>					
Sales tax	\$ 354,049	\$ -	\$ -	\$ 31,390	\$ 385,439
Use tax	33,820	-	-	-	33,820
Beverage tax	119,898	-	-	-	119,898
Franchise taxes	49,607	-	-	-	49,607
Cigarette tax	4,559	-	-	-	4,559
Motor vehicle tax	14,260	-	-	-	14,260
Licenses and permits	1,016	-	-	-	1,016
Police fines	8,083	-	-	-	8,083
Charges for services	250	-	11,909	33,265	45,424
Rents and royalties	9,598	-	-	-	9,598
Intergovernmental	6,000	-	16,592	52,488	75,080
Donations	1,400	-	506	-	1,906
Miscellaneous	63,721	-	66	-	63,787
Investment income	13,957	9	-	10	13,976
Total revenues	680,218	9	29,073	117,153	826,453
<b>EXPENDITURES</b>					
General government	258,548	-	-	-	258,548
Police	242,571	-	-	-	242,571
Fire	14,637	-	-	-	14,637
Transportation	100,289	-	33,507	-	133,796
Recreation	79,718	-	-	36,305	116,023
Total department expenditures	665,763	-	33,507	36,305	765,575
Capital outlay	186,865	-	-	61,512	248,377
Total expenditures	882,628	-	33,507	97,817	1,013,952
Excess (deficiency) of revenues over expenditures	(202,410)	9	(4,434)	19,336	(187,499)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	40,211	-	4,591	58,234	103,036
Transfers out	(37,591)	-	-	(41,276)	(78,867)
Total other financing sources and uses	2,620	-	4,591	16,958	24,169
Net change in fund balances	(199,790)	9	157	36,294	(163,330)
Fund balances - beginning	456,925	18,994	1,042	18,583	495,544
Prior period adjustment	590,000	-	-	-	590,000
Fund balances - ending	\$ 847,135	\$ 19,003	\$ 1,199	\$ 54,877	\$ 922,214

**Town of Beaver, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2014**

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Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds \$ (163,330)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	248,377
Capital asset purchases capitalized	(105,044)
Depreciation expense	(105,044)

The proceeds of debt issuance provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal paid on outstanding debt 6,385

Change in Net Assets of Governmental Activities \$ (13,612)

**Town of Beaver, Oklahoma**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Business-type Activities
	Public Works Authority
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 63,001
Accounts receivable (net)	37,570
Total current assets	100,571
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	145,699
Total restricted assets	145,699
Noncurrent assets:	
Capital assets (net)	147,275
Total noncurrent assets	147,275
<b>Total assets</b>	<b>\$ 393,545</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 27,234
Payroll liabilities	4,913
Due to other funds	2,559
Current portion of notes payable	36,883
Total current liabilities	71,589
Long-term liabilities:	
Customer deposits payable	15,160
Notes payable	143,829
Total long-term liabilities	158,989
<b>Total liabilities</b>	<b>230,578</b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	\$ 3,446
Restricted	1,239
Unrestricted	158,282
<b>Total net position</b>	<b>\$ 162,967</b>

Town of Beaver, Oklahoma  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
Proprietary Funds  
Year Ended June 30, 2014

		Business-type Activities
		Public Works Authority
<hr/>		
<b><u>Operating revenues:</u></b>		
Charges for services:	\$	
Water charges	329,267	
Sewer charges	107,151	
Sanitation charges	211,436	
Penalties	10,312	
Total charges for services	658,166	
Miscellaneous	5,714	
Total operating revenues	663,880	
<hr/>		
<b><u>Operating expenses:</u></b>		
Personal services	249,842	
Materials and supplies	168,152	
Other services and charges	151,351	
Depreciation and amortization	19,614	
Total operating expenses	588,959	
Net operating income	74,921	
<hr/>		
<b><u>Nonoperating revenue (expense):</u></b>		
Investment income	879	
Grant income	0	
Interest expense	(4,375)	
Total nonoperating revenue/(expense)	(3,496)	
<hr/>		
<b>Net Income before contributions and transfers</b>	<b>71,425</b>	
Transfers from other funds	7,250	
Transfers to other funds	(31,419)	
	(24,169)	
<b>Change in net position</b>	<b>47,256</b>	
Net position-beginning of year	115,711	
Net position-end of year	<u><u>\$ 162,967</u></u>	

Town of Beaver, Oklahoma  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2014

Business-type  
Activities

Public  
Works  
Authority

<b>Cash flows from operating activities:</b>	\$
Receipts from customers/patients	662,162
Payments to suppliers	(299,460)
Payments to employees	(252,812)
Other operating revenues	5,714
<b>Net cash provided (used) by operating activities</b>	<b>115,604</b>

**Cash flows from non-capital financing activities:**

Transfers from other funds	7,250
Transfers to other funds	(31,419)
Proceeds for intergovernmental agencies	-
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(24,169)</b>

**Cash flows from capital and related financing activities:**

Purchase of capital assets	(70,221)
Payments made on long term debt financing	(230,895)
Proceeds from long term debt financing	208,099
Interest paid on long term debt	(3,320)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(96,337)</b>

**Cash flows from investing activities:**

Investment income	879
<b>Net cash provided (used) by investing activities</b>	<b>879</b>
Net increase (decrease) in cash and cash equivalents	(4,023)

Cash and cash equivalents, July 1, 2013	212,723
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Cash & cash equivalents, June 30, 2014	<u>\$ 208,700</u>
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Cash, including time deposits	\$ 63,001
Restricted cash, including time deposits	145,699
Total cash and cash equivalents, end of year	<u>\$ 208,700</u>

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities**

Operating income (loss)	\$ 74,921
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	19,614
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	3,996
Increase (decrease) in accounts payable	17,484
Increase (decrease) in payroll liabilities	(2,970)
Increase (decrease) in due from other funds	2,559
Total adjustments	40,683
<b>Net cash provided (used) by operating activities</b>	<u>\$ 115,604</u>

**TOWN OF BEAVER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Town of Beaver, Oklahoma (the "Town") is incorporated under the provisions of the State of Oklahoma per Executive Department Proclamation on January 6, 1902. The Town operates under the Statutory Town Board of Trustees form of government. The Town provides the following services: public safety (police and fire protection), street maintenance, utility (sanitation, water, and sewer), recreation, public improvements, and general administrative services.

***The Reporting Entity***

The Town, for financial purposes, includes all of the funds and account groups relevant to the operation of the Town of Beaver. The accompanying financial statements present the Town's primary government and component units over with the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Beaver.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance Town services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the Town. Public trusts created to provide financing services are blended into the Town's primary government as an integral part of Town operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

**Blended Component Units Reported with Primary Government**

Beaver Public Works Authority (the "Authority") – was created in December 1984 under provision of the Oklahoma Statutes by a Declaration of the Trust. The Town has beneficial interest and the trustees of the Town serve as Trustees of the Authority. Town employees carry on the activities of the Authority. The Authority provides water, sewer, and trash services to the citizens of Beaver. Accounts of the Authority are recorded in business-type activities.

**Fiduciary Component Unit**

Beaver Municipal Bond Fund – accounts for the municipal police department bonds reported as an agency fund in the Fiduciary Fund financial statements. This fund was inactive during the fiscal year, as no bonds were held by the Town at June 30, 2014.

**B. Basis of Presentation**

***Government-Wide Financial Statements:***

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities, which consists of the Beaver Municipal Charitable Trust. The statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

***Measurement Focus and Basis of Accounting***

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB)

**TOWN OF BEAVER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements and financial statements of the Town's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

***Restricted Assets***

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

***Use of Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

***Interfund Balances***

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

***Date of Management's Review***

Subsequent events were evaluated through March 10, 2015, which is the date the financial statements were available to be issued.

**C. Fund Types and Major Funds**

**Major Governmental Funds**

***General Fund***

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

***Special Revenue Funds***

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

FUND	BRIEF DESCRIPTION
Alice Spohn Newton Endowment	Accounts for the 2007 endowment of property and cash for the use of the Town
Bus Transit Fund	Accounts for the operations of the public bus service, which is supported through charges for services and reimbursement from the Oklahoma Department of Transportation

**TOWN OF BEAVER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

Beaver Dunes

Accounts for the operations of the Beaver Dunes as leased from the Pioneer Memorial Park Association and a restricted portion of 1 cent of sales tax to be used for operations

**Major Proprietary Funds**

FUND	BRIEF DESCRIPTION
<u>Beaver Public Works Authority</u>	Accounts for the activities of the Authority in providing water, sewer, and solid waste services to the public.

**D. Budgets and Budgetary Accounting  
Budget Policy and Practice**

The Town Administrator submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and the allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for Town operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the Town Administrator and must be approved by the Board of Trustees. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Board of Trustees review and approval process.

**Budgetary Control**

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, materials and supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Council. Within these control levels, management may transfer appropriations without Board approval.

**Budget Basis of Accounting**

The combined statements of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected, and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts. No revisions were made during the year.

**E. Assets, Liabilities and Equity**

**Cash and Investments**

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

**Allowance for Uncollectible Accounts**

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. The Town has established an allowance for collectible accounts based on management's prior experience using past due amounts more than 60 to 90 days. Management does not believe there are significant losses in excess of the allowance.

**Property, Plant and Equipment**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**TOWN OF BEAVER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Government-Wide Statements:**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- Buildings 25-50 years
- Other improvements 2-50 years
- Machinery, furniture & equipment 5-20 years
- Infrastructure 25-50 years

**Fund Financial Statements:**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Long-Term Debt**

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

**Equity Classifications**

**Governmental Fund Balances**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

**Nonspendable**

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

**Restricted**

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

**Committed**

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council, the Town's highest level of decision-making authority,

**Assigned**

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

**Unassigned**

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

**Net Position**

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

**Invested in capital assets, net of related debt**

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**TOWN OF BEAVER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Restricted net position**  
Amounts reported as restricted consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**F. Revenues, Expenditures and Expenses**

**Sales Tax**

The Town levied a 3% sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The sales tax received is recorded as sales tax revenue within the general fund. The Town has restricted one cent of the sales tax proceeds, split 60% for recreation improvements and 40% for operations at the Beaver Dunes.

**Charges for Services**

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

**Grants and Contributions**

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as local government unit, the Town and its component unit are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over town resources follows:

**A. Deficit Fund Net Position/Fund Balance**

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The Town reported no deficit fund net position or fund balances for the fiscal year.

**B. Budget Requirements**

For the year ended June 30, 2014, the Town did not materially overspend in any department-level category.

**C. Revenue Restrictions**

The Town has various restrictions placed over certain revenue sources from state or local or administrative requirements. The primary restricted revenue sources include:

<u>REVENUE SOURCE</u>	<u>LEGAL RESTRICTIONS OF USE</u>
Gasoline Excise/Commercial Vehicle Tax	Street and Alley Purposes
60% of one cent Sales Tax	Recreation capital improvements
40% of one cent Sales Tax	Operations of the Beaver Dunes

**(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**A. Cash and Investments**

**Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

**TOWN OF BEAVER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

**Investments**

The Town invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
<b>Business-type Activities</b>				
<b><u>INVESTMENTS:</u></b>				
Certificates of deposit	\$ 715,000	\$ 715,000	N/A	6.5
Total Investments	<u>715,000</u>	<u>715,000</u>		
Total business-type investments	<u>\$ 715,000</u>	<u>\$ 715,000</u>		

**RECONCILIATION TO STATEMENT OF NET POSITION**

Investments, unrestricted	\$ 590,000
Investments, restricted	125,000
Total business-type investments	<u>\$ 715,000</u>

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using either duration or weighted average days to maturity depending on the respective policy.

**B. PROPERTY, PLANT AND EQUIPMENT**

**Governmental Activities:**

A summary of the changes in the governmental activities fixed assets at June 30, 2014 follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Construction in process	\$ 5,500	-	-	\$ 5,500
Buildings & structures	1,289,299	-	-	1,289,299
Machinery, furniture, & equipment	363,837	91,035	-	454,872
Improvements other than land	797,533	157,342	-	954,875
Total	2,456,169	248,377	-	2,704,546
Less accumulated depreciation	1,314,744	105,044	-	1,419,788
Fixed assets, net	<u>\$ 1,141,425</u>	<u>\$ 143,333</u>	<u>\$ -</u>	<u>\$ 1,284,758</u>

**TOWN OF BEAVER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Business-Type Activities:**

A summary of the proprietary fund types fixed assets at June 30, 2014 follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
<b>Beaver Public Works Authority</b>				
Construction in process	\$ -	\$ 25,500	\$ -	\$ 25,500
Buildings	127,443	-	-	127,443
Machinery, furniture, & equipment	123,857	44,721	-	168,578
Infrastructure improvements	795,267	-	-	795,267
Total	1,046,567	70,221	-	1,116,788
Less accumulated depreciation	949,899	19,614	-	969,513
Fixed assets, net	<u>\$ 96,668</u>	<u>\$ 50,607</u>	<u>\$ -</u>	<u>\$ 147,275</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets.

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:	
General government	\$ 12,278
Public safety & judiciary	12,180
Transportation	62,873
Cultural, parks & recreation	17,713
Total governmental activities depreciation expense	<u>\$ 105,044</u>

Depreciation expense charges to business-type activities:

Customer service	\$ 3,385
Water	11,011
Sanitation	5,218
Total business-type activities depreciation expense	<u>\$ 19,614</u>

**C. LONG-TERM DEBT**

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2014:

**NOTE PAYABLE**

**Governmental Activities:**

Note payable to First Security Bank, original amount of \$12,690 for the purchase of a 2013 Dodge Charger for the police department. Note is paid monthly at an interest rate of 2.015%. Loan matures June 2015.	\$ 6,385
	<u>\$ 6,385</u>

**TOWN OF BEAVER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Business-Type Activities:**

Loan payable to First State Bank with an original amount of \$208,099 at an interest rate of 2.015%. Loan originated in August 15, 2013, maturing August 2019. Proceeds were used to refinance existing OWRB debt. The original OWRB debt was used for water system improvements.

180,712

\$ 180,712

**Changes in Long-Term Debt:**

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

Type of Debt	Balance at July 1, 2013	Amount Issued	Amount Retired	Balance at June 30, 2014	Due Within One Year
<b>Governmental activities:</b>					
FSB - Police Vehicle	12,690	-	6,305	6,385	6,385
Total governmental activities	<u>\$ 12,690</u>	<u>\$ -</u>	<u>\$ 6,305</u>	<u>\$ 6,385</u>	<u>\$ 6,385</u>
<b>Business-type activities:</b>					
OWRB 1996	\$ 138,425	\$ -	\$ 138,425	\$ -	\$ -
OWRB 1997	65,092	-	65,092	-	-
FSB Refinance	-	208,099	27,387	180,712	36,883
Total business-type activities	<u>\$ 203,517</u>	<u>\$ 208,099</u>	<u>\$ 230,904</u>	<u>\$ 180,712</u>	<u>\$ 36,883</u>
Total primary government debt	<u>\$ 216,207</u>	<u>\$ 208,099</u>	<u>\$ 237,209</u>	<u>\$ 187,097</u>	<u>\$ 43,268</u>

**Annual Debt Service Requirements:**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2014 follow:

Year Ending June 30	Governmental Notes Payable		Business-Type Notes Payable	
	Principal	Interest	Principal	Interest
2015	\$ 6,385	\$ 107	\$ 36,883	\$ 3,332
2016	-	-	34,201	2,651
2017	-	-	34,896	1,955
2018	-	-	35,606	1,245
2019	-	-	36,330	521
2020	-	-	2,796	15
Totals	<u>\$ 6,385</u>	<u>\$ 107</u>	<u>\$ 180,712</u>	<u>\$ 9,719</u>

**TOWN OF BEAVER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**D. INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers for the year ended June 30, 2014 were as follows:

Operating Transfers	Transfers In	Transfers Out
<b>GENERAL FUND:</b>		
Beaver Dunes Fund	\$ 40,782	\$ 25,750
Bus Transit Fund	-	4,591
Beaver Public Works Authority	-	7,250
<b>BUS TRANSIT FUND:</b>		
Beaver Public Works Authority	4,591	-
<b>BEAVER DUNES FUND:</b>		
General Fund	25,750	40,782
Beaver Public Works Authority	31,990	-
<b>ENTERPRISE FUND: Public Works</b>		
General Fund	7,250	-
Beaver Dunes Fund	-	31,990
<b>Grand Total</b>	<b>\$ 110,363</b>	<b>\$ 110,363</b>

**(4) RETIREMENT PLANS**

The City participates in two employee pension systems as follows:

Name of Plan	Type of Plan
Oklahoma Public Employee Retirement System	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement System	Agent Multiple Employer – Defined Benefit Plan

**A. Oklahoma Public Employees Retirement Fund**

**Plan Description**

Substantially all of the City's full-time employees participate in a multi-employer defined benefit pension plan adopted by the City and administered by Oklahoma Public Employees Retirement System (OPERS), which was established to administer pension plans for state, county and local governments in Oklahoma. OPERS and the qualified governmental retirement plan are governed by Oklahoma Statutes Title 74, Sections 901 – 932. OPERS issues an annual audit report. A copy can be obtained at [www.OPERS.OK.gov](http://www.OPERS.OK.gov). Covered payroll for the City was \$399,858 employee contributions were \$59,979, and employer contributions were \$22,326.

The following provisions are provided by the OPERS Plan.

Provision	Plan
<p>a. Eligible to Participate</p> <p>b. Contributions Requirements</p> <ul style="list-style-type: none"> <li>- Authorization</li> <li>- Employer Rate</li> <li>- Employee Rate</li> </ul> <p>c. Period Required to Vest</p> <p>d. Eligibility for Distribution</p>	<p>Any officer or employee of a participating employer whose employment is not seasonal or temporary and whose employment requires at least 1,000 hours of work per year.</p> <ul style="list-style-type: none"> <li>- By Board Approval</li> <li>- 15% of covered payroll, effective 7/1/10</li> <li>- 5% effective 7/1/06</li> </ul> <p>8 years of credited service</p> <ul style="list-style-type: none"> <li>- Normal retirement at age 62 with 6 years of service.</li> <li>- Early retirement at age 55 with 10 years of service.</li> <li>- Disability retirement upon disability with 8 years of credited service.</li> <li>- Death benefits for: (1) a member who has not retired (2) survivor benefit for spouses</li> </ul>



**TOWN OF BEAVER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**(5) COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

The Town is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town.

**B. Grant Program Involvement**

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Town of Beaver, Oklahoma  
 General Fund  
 Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>					
Sales tax	\$ 300,323	-	\$ 300,323	\$ 354,049	\$ 53,726
Use tax	45,000	-	45,000	33,820	(11,180)
Tobacco tax	4,000	-	4,000	4,559	559
Alcohol beverage tax	90,000	-	90,000	119,898	29,898
Franchise tax	39,517	-	39,517	49,607	10,090
Intergovernmental	1,800	-	1,800	14,260	12,460
Rents and royalties	3,600	-	3,600	9,598	5,998
Police fines	15,500	-	15,500	8,083	(7,417)
Licenses and permits	450	-	450	1,016	566
Bus Transit revenues	-	-	-	71,371	71,371
Interest	800	-	800	13,957	13,157
Other Revenue	250	-	250	-	(250)
Total revenues before carryover	501,240	-	501,240	650,218	178,978
Budgeted fund balance carryover	395,697	-	395,697	-	(395,697)
<b>EXPENDITURES</b>					
Current:					
General government					
General government	298,200	-	298,200	280,823	17,377
Total general government	298,200	-	298,200	280,823	17,377
Public safety					
Police department	289,576	-	289,576	246,721	42,855
Fire department	22,050	-	22,050	17,736	4,314
Total public safety	311,626	-	311,626	264,457	47,169
Parks and recreation					
Parks department	81,000	-	81,000	79,718	1,282
Total parks and recreation	81,000	-	81,000	79,718	1,282
Transportation					
Street and alley	319,000	-	319,000	257,631	61,369
Total transportation	319,000	-	319,000	257,631	61,369
Total expenditures	1,009,826	-	1,009,826	882,629	127,197
Revenue over (under) expenditures	(112,889)	-	(112,889)	(202,411)	51,781
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(ou)	597,655	-	597,655	592,620	(5,035)
Net other financing sources (uses)	597,655	-	597,655	592,620	(5,035)
Revenues and other financing sources over (under) expenditures and other uses					
	484,766	-	484,766	390,209	46,746
Fund balance at beginning of year, restated (Non-GAAP budgetary basis)					
			968,299	448,389	(519,910)
Fund balance at end of year (Non-GAAP budgetary basis)					
			\$ 1,453,065	\$ 838,598	\$ (473,164)
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer accruals					(9,004)
Expenditure and transfer accruals					17,541
Fund balance at end of year (GAAP basis)			<u>\$ 847,135</u>		

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

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 Town Council  
Town of Beaver, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Beaver, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Beaver, Oklahoma's basic financial statements and have issued our report thereon dated March 10, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Beaver, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Beaver, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Beaver, Oklahoma's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, Finding 2014-1 and Finding 2014-2.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies, Finding 2014-3.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Beaver, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Finding 2014-4.

## **Town of Beaver, Oklahoma's Response to Findings**

Town of Beaver, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Beaver, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FSW&B CPAs-PLLC**

FSW&B CPA's-PLLC  
Woodward, Oklahoma  
March 10, 2015

TOWN OF BEAVER, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDING JUNE 30, 2014

**Finding 2014-1 Overall Accounting System and Integration of Processes and Controls**

**Finding:** As of the end of the fiscal year, the overall accounting system was inadequate to reasonably mitigate the risk that a material error in the system could occur or if it did occur be corrected in a reasonable amount of time. There are many different areas that our procedures found inconsistencies, lack of processes suitable for the organization considering the size and resources of that organization and an organizational failure to find, correct and address those deficiencies in a reasonable amount of time. We consider this finding to be most serious not because of any individual failure of a process, or lack of that process, but because the overall system lacked the design, cohesiveness and execution of a series of processes and controls which together reduce the risk of failure of that system to a reasonable level.

**Criteria:** We believe that a municipality should place an even greater emphasis than a privately held business on designing and implementing a financial reporting system that provides it's stakeholders with a high degree of not only being able to properly recognize their financial position and results of operations, but also in achieving critical ancillary objectives of the system which would include but not be limited to compliance with laws and regulations, safeguarding of assets and effective budgetary control. Stakeholders for a municipality should extend well beyond management and the governing body because each of those stakeholders are charged with a fiduciary responsibility of stewardship of the citizen's tax dollars and revenues from public services provided.

**Effect:** After correction and reconciliation of the financial statements and accounts by Town Staff and the Accounting Consultants hired by the town, the financial statements were not materially misstated which is the basis of our opinion of the audit. However, there were significant adjustments and reconciliations required after year end but before our audit began that were necessary to take the source documents and monthly/annual financial reports generated by the organization to the financial statements presented with the audit on a comprehensive basis of accounting. The problem is that both statute (Budget Law) and prudence would require a system be in place for an organization of this size and type that provided relatively accurate information to be produced that the governing body and management could make accurate and timely decisions that are in the best interest of the community. Without a comprehensive system of controls and processes that work together, not only is the timely generation of accurate financial reporting information unlikely, the risk of fraud and misappropriation are significantly increased.

**Recommendation:** A complete evaluation of the entire accounting and reporting function should be completed and appropriate changes made to the controls and the control environment to raise the operational effectiveness of the overall system to a level that is suitable for an organization with the size and resources of this local government.

**Management Response:** Management is aware of deficiencies in the overall accounting system as of the end of the year due to a change in management and personnel, the completion of a petition audit by the Oklahoma State Auditor and Inspector's office and an evaluation of the accounting and reporting system completed by an independent accounting consultant with significant experience in municipal accounting. Significant changes have been made in the overall accounting system and continue to be made as the system is continually monitored and improved to meet the standard that management believes is consistent with the concerns of the auditor.

TOWN OF BEAVER, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDING JUNE 30, 2014

**Finding 2014-1 Overall Accounting System and Integration of Processes and Controls (continued)**

**Auditor Response to Management Response:** During our inquiry with town personnel and the limited procedures that we performed to comply with an evaluation of subsequent events from the date of the financial statements through the date of our report, we agree that significant improvements have occurred to the overall system. However, since the scope of our evaluation for subsequent events is somewhat limited and we have not started the performance of our audit procedures for the next fiscal year, we are not in a position to evaluate or opine on whether these changes are sufficient to clear this finding.

**Finding 2014-2 Failure to Maintain Sufficient Source Documentation Supporting Expenditures of Town and component units.**

**Finding:** We had multiple instances where that we were not able to find actual source documents to support expenditures of the general government and various funds or where there were inconsistencies with the source documents located and how those transactions are recorded.

**Criteria:** All organizations should have controls and processes in place that allow them to access supporting documentation for all transactions of the town and its component units. Specifically with regard to expenditures, at a minimum a source document should allow a disinterested knowledgeable party to ascertain why an expenditure was made, whom it was made to, when the liability was incurred and when it was paid, what it was used for and how it should be properly classified to a budgetary control account. Additionally, those records should be maintained in such a manner as to allow appropriate Town staff to locate and produce those records for auditors, lenders, trustees, management or for any other legal request pursuant to the Open Records Act in Oklahoma.

**Effect:** In addition to providing substantiation to provide evidence of transactions meeting the needs of the organization (reasonable person standard), maintaining sufficient documentation of those transactions executed by the organization reduces the risk of fraud or misappropriation. We were able to apply alternative procedures to all transactions that lacked supporting documentation and with those alternative procedures were able to satisfy ourselves of three important objectives for each of the questioned items. Those objectives were 1) that the transaction was a reasonable expense and for the benefit of the Town or its component units (as opposed to a misappropriation) 2) that the failure to maintain appropriate supporting evidence did not result in material change in the level of budgetary classification and control either individually or in the aggregate and 3) that the failure while systemic was the result of a failure to have adequate processes for retaining source information and not motivated by an objective to obfuscate how Town monies were spent or to hide inappropriate actions committed by staff.

**Recommendation:** Town should evaluate their procedures in these areas and implement new procedures or modify existing ones to ensure that all records are maintained and accessible upon demand.

**Management Response:** As indicated in response to previous finding, the accounting system is being modified and improved and this particular deficiency has been addressed.

TOWN OF BEAVER, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDING JUNE 30, 2014

**Finding 2014-3 Failure to perform timely and accurate reconciliations and utilize those reconciliations for the purposes of budgetary control.**

**Finding:** We were provided with reconciliations including bank reconciliations prepared after year end by Town Staff and the Town's accounting consultants which were accurate and tied to the year end financial statements subject to audit. However, our evaluation of the systems and processes in place indicated that prior to the town hiring a municipal accounting consultant there was not an effective reconciliation process that accomplished two important reporting objectives: completeness and cutoff. Without those procedures in place and being used each month it is unlikely that accurate budgetary control can be consistently achieved anytime that there are significant budgetary shortfalls or where there is not sufficient carryover balances that can be budgeted to cover object classifications. Additionally, because there were no outstanding encumbrances or warrants shown with the reconciliation process that was being used in the past, this method in our opinion was insufficient to meet the municipal statutory guidelines for classifying and recording expenditures in the correct fund year. The Town does use a PO system which did mitigate the effects of the ineffective reconciliations being done during the year which reduced our assessment of the overall risk.

**Criteria:** Effective reconciliations are a vital part of any accounting and reporting system. However, reconciling or posting transactions without taking into account the timing of outstanding items makes the reconciliation process less reflective of the actual results of operations.

**Recommendation:** Town should evaluate their procedures in these areas and implement new procedures or modify existing ones to ensure that all reconciliations are not only done timely but that they account for outstanding and/or uncleared items. We concur with the recommendation by the State Auditor and Inspector that this process is most effective when performed by individuals that are not responsible for other significant accounting functions including collecting receipts of government funds, making deposits or being primarily responsible for the initial entry into the accounting system.

**Management Response:** As indicated in response to previous finding, the accounting system is being modified and improved and this particular deficiency has been addressed.

**Finding 2014-4 Failure to Comply with Town Code Sections (E) and (F) related to use of competitive bids.**

**Finding:** We noted instances consistent with the findings of the State Auditor's Petition Audit where the Town failed to comply with its own ordinances related to items purchased that were supposed to be subject to competitive bid.

**Criteria:** State statutes have requirements for items that are in excess of \$ 50,000 that do not meet certain exceptions like sole source or professional services to be subject to the competitive bid process. The Town has a more restrictive ordinance that requires purchases in excess of \$ 7,500 to be competitively bid.

TOWN OF BEAVER, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDING JUNE 30, 2014

**Finding 2014-4 Failure to Comply with Town Code Sections (E) and (F) related to use of competitive bids (continued).**

**Recommendation:** We concur with the State Auditor findings in their report dated March 20, 2014. Consistent with the State Auditor findings we did not find instances where there were purchase violations that violated the bid thresholds of Title 60 and Title 61. We recommend that the Town evaluate their competitive bid purchase ordinances and modify them to a less outdated threshold.

**Management Response:** We are in the process of evaluating and updating our ordinances including Town Code, Sections 7-105 (e) and (f).

TOWN OF BEAVER, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDING 30, 2014

**Finding 2013-1 Overall Accounting System and Integration of Processes and Controls**

**Finding:** As of the end of the fiscal year, the overall accounting system was inadequate to reasonably mitigate the risk that a material error in the system could occur or if it did occur be corrected in a reasonable amount of time. There are many different areas that our procedures found inconsistencies, lack of processes suitable for the organization considering the size and resources of that organization and an organizational failure to find, correct and address those deficiencies in a reasonable amount of time. We consider this finding to be most serious not because of any individual failure of a process, or lack of that process, but because the overall system lacked the design, cohesiveness and execution of a series of processes and controls which together reduce the risk of failure of that system to a reasonable level.

**Recommendation:** A complete evaluation of the entire accounting and reporting function should be completed and appropriate changes made to the controls and the control environment to raise the operational effectiveness of the overall system to a level that is suitable for an organization with the size and resources of this local government.

**Current Status:** As of year-end this condition was still found and reported on the Schedule of Findings and Responses under Finding 2014-1. Management is aware of deficiencies in the overall accounting system as of year end and has made significant changes in the overall accounting system. A change in management and personnel, the completion of a petition audit by the Oklahoma State Auditor and Inspector's office and an evaluation of the accounting and reporting system completed by independent accounting consultants was completed after year-end.

**Finding 2013-2 Failure to Maintain Sufficient Source Documentation Supporting Expenditures of Town and component units.**

**Finding:** We had multiple instances where that we were not able to find actual source documents to support expenditures of the general government and various funds or where there were inconsistencies with the source documents located and how those transactions are recorded.

**Recommendation:** Town should evaluate their procedures in these areas and implement new procedures or modify existing ones to ensure that all records are maintained and accessible upon demand.

**Current Status:** As of year-end this condition was still found and reported on the Schedule of Findings and Responses under Finding 2014-2. As indicated in response to previous finding, the accounting system is being modified and improved and this particular deficiency has been addressed.

TOWN OF BEAVER, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDING 30, 2014

**Finding 2013-3 Failure to perform timely and accurate reconciliations and utilize those reconciliations for the purposes of budgetary control.**

**Finding:** We were provided with reconciliations including bank reconciliations prepared after year end by Town Staff and the Town's accounting consultants which were accurate and tied to the year end financial statements subject to audit. However, our evaluation of the systems and processes in place indicated that prior to the town hiring a municipal accounting consultant there was not an effective reconciliation process that accomplished two important reporting objectives: completeness and cutoff. Without those procedures in place and being used each month it is unlikely that accurate budgetary control can be consistently achieved anytime that there are significant budgetary shortfalls or where there is not sufficient carryover balances that can be budgeted to cover object classifications. Additionally, because there were no outstanding encumbrances or warrants shown with the reconciliation process that was being used in the past, this method in our opinion was insufficient to meet the municipal statutory guidelines for classifying and recording expenditures in the correct fund year. The Town does use a PO system which did mitigate the effects of the ineffective reconciliations being done during the year which reduced our assessment of the overall risk.

**Recommendation:** Town should evaluate their procedures in these areas and implement new procedures or modify existing ones to ensure that all reconciliations are not only done timely but that they account for outstanding and/or uncleared items. We concur with the recommendation by the State Auditor and Inspector that this process is most effective when performed by individuals that are not responsible for other significant accounting functions including collecting receipts of government funds, making deposits or being primarily responsible for the initial entry into the accounting system.

**Current Status:** As of year-end this condition was still found and reported on the Schedule of Findings and Responses under Finding 2014-3. As indicated in response to previous finding, the accounting system is being modified and improved and this particular deficiency has been addressed.

**Finding 2013-4 Failure to Comply with Town Code Sections (E) and (F) related to use of competitive bids.**

**Finding:** We noted instances consistent with the findings of the State Auditor's Petition Audit where the Town failed to comply with its own ordinances related to items purchased that were supposed to be subject to competitive bid.

**Recommendation:** We concur with the State Auditor findings in their report dated March 20, 2014. Consistent with the State Auditor findings we did not find instances where there were purchase violations that violated the bid thresholds of Title 60 and Title 61. We recommend that the Town evaluate their competitive bid purchase ordinances and modify them to a less outdated threshold.

**Current Status:** As of year-end this condition was still found and reported on the Schedule of Findings and Responses under Finding 2014-4. Management is in the process of evaluating and updating their ordinances including Town Code, Sections 7-105 (e) and (f).

March 10, 2015

To the Town Council  
Town of Beaver, 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 Town of Beaver, Oklahoma for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standard*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 1, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Beaver, Oklahoma are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by Town of Beaver, Oklahoma during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the government wide's financial statements was:

Management's estimate of the depreciation expense is based on historical useful lives of assets.

We evaluated the key factors and assumptions used to develop the allowance for depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 10, 2015.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Town of Beaver, Oklahoma's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Town of Beaver, Oklahoma's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Very truly yours,

*FSW&B CPA'S- PLLC*

FSW&B CPA'S-PLLC