

**Town of Bethel Acres, Oklahoma**

Annual Financial Statements and  
Accompanying

Independent Auditor's Report

June 30, 2011

**Town of Bethel Acres, Oklahoma**  
**Annual Financial Statements**  
**And Accompanying Independent Auditor's Report**  
**For the Year Ended June 30, 2011**

Table of Contents

|                                                                                                       | <u>Page</u> |
|-------------------------------------------------------------------------------------------------------|-------------|
| Board of Trustees                                                                                     | 1           |
| Independent Auditor's Report                                                                          | 2-3         |
| <br><b>Basic Financial Statements</b>                                                                 |             |
| <i>Government-Wide Financial Statements:</i>                                                          |             |
| Statement of Net Assets – Cash Basis                                                                  | 4           |
| Statement of Activities – Cash Basis                                                                  | 5           |
| <i>Fund Financial Statements:</i>                                                                     |             |
| Balance Sheet – Cash Basis – Governmental Funds                                                       | 6           |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances – Cash Basis – Governmental Funds | 7           |
| Notes to Financial Statements                                                                         | 8-12        |
| <br><b>Required Supplementary Information</b>                                                         |             |
| Budgetary Comparison Schedule – Cash Basis – General Fund                                             | 13-14       |
| Notes to Required Supplementary Information – Budgetary<br>Comparison Schedule                        | 15          |

**Town of Bethel Acres, Oklahoma**  
**Annual Financial Statements**  
**And Accompanying Independent Auditor's Report**  
**For the Year Ended June 30, 2011**

Table of Contents

|                                                                                                                                                                                               | <u>Page</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>Other Supplementary Information</b>                                                                                                                                                        |             |
| Combining Balance Sheet – Cash Basis-<br>Non-major Governmental Funds                                                                                                                         | 16          |
| Combining Statement of Revenues, Expenditures and<br>Changes in Fund Balance – Cash Basis – Non-major<br>Governmental Funds                                                                   | 17          |
| Budgetary Comparison Schedule – Cash Basis –<br>Budgeted Non-Major Governmental Funds                                                                                                         | 18          |
| <b>Internal Control and Compliance</b>                                                                                                                                                        |             |
| Report on Compliance and on Internal Control Over Financial<br>Reporting Based on an Audit of the Financial Statements Performed<br>In Accordance with <i>Governmental Auditing Standards</i> | 19-20       |
| Schedule of Findings                                                                                                                                                                          | 21-22       |

**Town of Bethel Acres, Oklahoma**  
**June 30, 2011**

**BOARD OF TRUSTEES**

Mayor

Neal Davis, Ward 5

Members

Melvin Potter, Ward 1

Mike Jackson, Ward 3

James T Smothers, Ward 4

Clerk / Treasurer

Jane Schuster

Independent Auditor's Report

Honorable Mayor and Members  
Of the Board of Trustees  
Town of Bethel Acres  
Shawnee, Oklahoma 74801

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bethel Acres, Oklahoma (the Town), as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

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

As discussed in Note A, the Town prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As discussed in Note B, the financial statements referred to above include an incomplete presentation of general fixed assets. The amount that should be recorded for the general fixed assets is not known, and is, at best, incomplete. If total general fixed assets had been included, carrying amounts and adjustments to the financial statements are not known.

In my opinion, except for the incomplete presentation of general fixed assets as stated above, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2011, and the respective changes in financial position – cash basis thereof for the year then ended in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 16, 2011, on my consideration of the Town's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management has elected to omit the Management Discussion and Analysis, which is considered required supplementary information that is normally subjected to auditing procedures. Due to this omission, the usefulness and accessibility of the financial statements are limited to the Town's management. The omission of this information does not affect the opinion expressed on the financial statements as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining statements and other schedules listed as other supplementary information in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note A.



Samuel S. Alexander  
Certified Public Accountant

December 16, 2011

## Town of Bethel Acres, Oklahoma

### Statement of Net Assets - Cash Basis

June 30, 2011

|                                 | <u>Governmental<br/>Activities</u> |
|---------------------------------|------------------------------------|
| ASSETS                          |                                    |
| Current assets:                 |                                    |
| Cash and cash equivalents       | \$ 231,079                         |
| Investments                     | <u>550,000</u>                     |
| Total current assets            | <u>781,079</u>                     |
| Noncurrent assets:              |                                    |
| Capital assets:                 |                                    |
| Equipment                       | 304,270                            |
| Less: Accumulated depreciation  | <u>(14,917)</u>                    |
| Total capital assets            | <u>289,353</u>                     |
| Total assets                    | 1,070,432                          |
| LIABILITIES                     |                                    |
| Current liabilities:            |                                    |
| Bank overdraft                  | <u>6,756</u>                       |
| NET ASSETS                      |                                    |
| Invested in capital assets, net | 289,353                            |
| Unrestricted                    | <u>774,323</u>                     |
| Total net assets                | <u><u>\$ 1,063,676</u></u>         |

See accompanying notes to the basic financial statements.

**Town of Bethel Acres, Oklahoma**  
 Statement of Activities - Cash Basis  
 For the Year Ended June 30, 2011

| <u>Functions/Programs</u>             | <u>Program Revenues</u> |                                 |                                        | <u>Net (Expense)<br/>Revenues &amp; Changes<br/>in Net Assets</u> |
|---------------------------------------|-------------------------|---------------------------------|----------------------------------------|-------------------------------------------------------------------|
|                                       | <u>Expenses</u>         | <u>Charges for<br/>Services</u> | <u>Grants &amp;<br/>Reimbursements</u> | <u>Governmental<br/>Activities</u>                                |
| Primary Government:                   |                         |                                 |                                        |                                                                   |
| Governmental Activities:              |                         |                                 |                                        |                                                                   |
| General Government                    | <u>\$ 169,790</u>       | <u>37,575</u>                   | <u>16,207</u>                          | <u>(116,008)</u>                                                  |
|                                       |                         |                                 |                                        |                                                                   |
| General revenues:                     |                         |                                 |                                        |                                                                   |
| Taxes                                 |                         |                                 |                                        |                                                                   |
| Franchise and public service fees     |                         |                                 |                                        | 89,678                                                            |
| Motor vehicle and gasoline excise tax |                         |                                 |                                        | 27,343                                                            |
| Alcohol beverage tax                  |                         |                                 |                                        | 9,954                                                             |
| Investment income                     |                         |                                 |                                        | 4,814                                                             |
| Contributions and refunds             |                         |                                 |                                        | <u>39,748</u>                                                     |
| Total general revenues and transfers  |                         |                                 |                                        | <u>171,537</u>                                                    |
| Changes in net assets                 |                         |                                 |                                        | 55,529                                                            |
| Net assets - beginning of period      |                         |                                 |                                        | <u>1,008,147</u>                                                  |
| Net assets - end of period            |                         |                                 |                                        | <u>\$ 1,063,676</u>                                               |

See accompanying notes to basic financial statements.

## Town of Bethel Acres, Oklahoma

Balance Sheet - Cash Basis

Governmental Funds

June 30, 2011

|                                                              | <u>General<br/>Fund</u>  | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------------------------------------|--------------------------|-----------------------------------------|-----------------------------------------|
| <u>ASSETS</u>                                                |                          |                                         |                                         |
| Cash and cash equivalents                                    | \$ 27,771                | 203,308                                 | 231,079                                 |
| Investments                                                  | 400,000                  | 150,000                                 | 550,000                                 |
| Capital assets, net of<br>depreciation                       | <u>289,353</u>           | <u>-</u>                                | <u>289,353</u>                          |
| Total Assets                                                 | <u><u>\$ 717,124</u></u> | <u><u>353,308</u></u>                   | <u><u>1,070,432</u></u>                 |
| <br><u>LIABILITIES AND FUND<br/>BALANCES</u>                 |                          |                                         |                                         |
| Liabilities                                                  |                          |                                         |                                         |
| Bank overdraft                                               | <u>\$ 6,756</u>          | <u>-</u>                                | <u>6,756</u>                            |
| Fund balances:                                               |                          |                                         |                                         |
| Invested in capital assets                                   | 289,353                  |                                         | 289,353                                 |
| Unreserved                                                   | 421,015                  | -                                       | 421,015                                 |
| Unreserved, reported in<br>nonmajor special revenue<br>funds | <u>-</u>                 | <u>353,308</u>                          | <u>353,308</u>                          |
| Total Fund Balances                                          | <u>710,368</u>           | <u>353,308</u>                          | <u>1,063,676</u>                        |
| Total Liabilities and<br>Fund Balances                       | <u><u>\$ 717,124</u></u> | <u><u>353,308</u></u>                   | <u><u>1,070,432</u></u>                 |

See accompanying notes to the basic financial statements.

**Town of Bethel Acres, Oklahoma**  
Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Year Ended June 30, 2011

|                                                   | General<br>Funds  | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------------------------------|-------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                                   |                   |                                |                                |
| Taxes                                             | \$ 9,954          | 27,343                         | 37,297                         |
| Franchise fees                                    | 89,678            |                                | 89,678                         |
| Licenses and permits                              | 37,575            | -                              | 37,575                         |
| Investments                                       | 3,905             | 909                            | 4,814                          |
| Contributions, refunds                            | 39,748            | -                              | 39,748                         |
| Grants, reimbursements                            | 16,207            | -                              | 16,207                         |
| <b>Total Revenues</b>                             | <b>197,067</b>    | <b>28,252</b>                  | <b>225,319</b>                 |
| <b>Expenditures</b>                               |                   |                                |                                |
| Current                                           |                   |                                |                                |
| General government                                |                   |                                |                                |
| Oil & gas inspector                               | 10,300            | -                              | 10,300                         |
| City clerk/treasurer                              | 5,759             | -                              | 5,759                          |
| Attorney                                          | 5,131             | -                              | 5,131                          |
| Auditor                                           | 9,000             | -                              | 9,000                          |
| Mowing contractor                                 | 8,080             | -                              | 8,080                          |
| General                                           | 63,845            | 350                            | 64,195                         |
| Depreciation                                      | 14,917            |                                | 14,917                         |
| Public Safety                                     |                   |                                |                                |
| Fire and police                                   | 52,408            | -                              | 52,408                         |
| <b>Total Expenditures</b>                         | <b>169,440</b>    | <b>350</b>                     | <b>169,790</b>                 |
| Excess (deficiency) of revenues over expenditures | 27,627            | 27,902                         | 55,529                         |
| Transfers in and out                              | 34,595            | (34,595)                       | -                              |
| Fund balances - beginning of period               | 648,146           | 360,001                        | 1,008,147                      |
| Fund balances - end of period                     | <u>\$ 710,368</u> | <u>353,308</u>                 | <u>1,063,676</u>               |

See accompanying notes to basic financial statements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Town of Bethel Acres, Oklahoma**  
Notes to Basic Financial Statements  
June 30, 2011

**Note A- Summary of Significant Accounting Policies**

The Town of Bethel Acres, Oklahoma (the Town) is a “Board of Trustees form of Government” under Title 11 of the Oklahoma Statutes. The Town provides the following services.

Public safety (Fire and Police protection)  
Streets and highways  
Public improvements  
General administrative services

As discussed further, the accounting and reporting policies of the Town relating to the fund types included in the financial statements are presented under the cash basis of accounting and do not conform to generally accepted accounting principles, defined as those principles prescribed by the Governmental Accounting Standards Board (GASB). The following represent the more significant accounting and reporting policies and practices of the Town.

**Fund Accounting**

The accounts of the Town are organized on the basis of funds each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. The various funds are grouped in this report into two generic fund types and one broad category as follows.

**Governmental Funds**

*General Fund*-the general fund is used to account for all of the general revenues of the Town not specifically levied or collected for other Town funds and for expenditures primarily related to the rendering of the general services to the Town.

*Special Revenue Funds*-the special revenue funds are established to account for revenues derived from specific taxes or other earmarked revenues. The Town had a Street and Alley Fund during the 2010-2011 fiscal year.

## **Town of Bethel Acres, Oklahoma**

### Notes to Basic Financial Statements

June 30, 2011

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The cash basis of accounting is employed by all the funds of the Town. Under the cash basis of accounting, revenues are recorded when received instead of when susceptible to accrual or when earned. Expenditures are recorded when paid rather than when the obligations are incurred. This basis is not in compliance with generally accepted accounting principles.

#### **Investments**

All investments are stated at cost, which approximates market value unless otherwise indicated.

#### **Encumbrances**

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed in the governmental funds. Encumbrances under generally accepted accounting principles are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances would be reported as part of the fund balance on the balance sheet.

#### **Comparative Data**

Comparative data for the prior year is not presented in the accompanying financial statements.

#### **Budget**

In accordance with Oklahoma Statutes, Title 68, Section 2483, the Town's Board of Trustees formally adopts annual budgets, which include all funds. These annual budgets are adopted on a basis consistent with guidelines established by the Oklahoma Municipal Code.

#### **Note B – Fixed Assets**

In the past, the Town recorded all fixed asset acquisitions as expenditures only and has not maintained detailed records of the fixed assets.

**Town of Bethel Acres, Oklahoma**  
Notes to Basic Financial Statements  
June 30, 2011

**Note B – Fixed Assets (Continued)**

In the past, the general fixed assets of the Town were not accounted for. However, beginning currently, expenditures for fixed asset acquisitions have been capitalized as assets and depreciated ratably; a practice that will continue. Therefore, the general fixed assets presented are incomplete, which is at variance with generally accepted accounting principles.

**Note C – Interfund Transactions**

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide services, purchase assets, and service debt. Transactions that are normal and recurring between funds are recorded as operating transfers. Transactions that are nonrecurring and represent a transfer of equity between funds are recorded as a change in fund balance.

**Note D – General Long Term Debt**

General long-term debt of the Town consists of a capital lease that is not reflected on the balance sheet. Payments of principal and interest are expensed at the time of payment, a practice that is at variance with generally accepted accounting principles. The following is a summary of the annual debt service requirements for the retirement of the principal and the payment of interest on the capital lease. First United Bank is the lessor.

|                                          | Year Ending<br><u>June 30,</u> |                  |              |               |
|------------------------------------------|--------------------------------|------------------|--------------|---------------|
| (6.125% Int.,<br>84 Months<br>1/14/2005) | 2011                           | <u>18,193</u>    | <u>1,130</u> | <u>19,323</u> |
|                                          | Total                          | <u>\$ 35,332</u> | <u>3,324</u> | <u>38,646</u> |

Under the terms of the lease presented above, the Pottawatomie County fire and Safety Committee shall fund the annual payments through the Pottawatomie County Sales Tax Account. This funding is presented in the financial statements as a contribution from Pottawatomie County, Oklahoma.

## Town of Bethel Acres, Oklahoma

Notes to Basic Financial Statements

June 30, 2011

### Note E – Litigation

The Town has no known pending claims or litigation as of June 30, 2011. In the event the Town is held liable for damages in any litigation that may arise, the resulting judgment will be paid from ad valorem taxes levied over a three-year period through the Town's debt service fund.

### Note F – Collateral Pledged

The Town's investment policies are governed by statute. Permissible investments include direct obligations of the United States Governmental agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks, and trust companies; and warrants, bonds or judgments of the Town. Collateral is required to be pledged with the state treasurer for demand deposits and certificates of deposit for all amounts not covered by FDIC insurance.

### Cash

The Town's cash deposits at June 30, 2011, are categorized to give an indication of the level of risk assumed by the Town at year-end. Cash on hand of \$86 is not included.

### Investments

The Town's investments at June 30, 2011, consist of certificates of deposit and are categorized below to give an indication of the level of risk assumed by the Town at year-end.

#### Deposit Categories of Credit Risk – Defined

- (A) Insured by the FDIC
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent
- (C) Uncollateralized

#### Deposit Categories of Credit Risk

|             | <u>Category</u>   |                |            | <b>Bank<br/>Balance</b> | <b>Carrying<br/>Amount</b> |
|-------------|-------------------|----------------|------------|-------------------------|----------------------------|
|             | <u>(A)</u>        | <u>(B)</u>     | <u>(C)</u> |                         |                            |
| Cash        | \$ 230,993        | -              | -          | 230,525                 | 230,993                    |
| Investments | <u>250,000</u>    | <u>300,000</u> | <u>-</u>   | <u>550,000</u>          | <u>550,000</u>             |
| Total       | <u>\$ 480,993</u> | <u>300,000</u> |            | <u>780,525</u>          | <u>780,993</u>             |

**Town of Bethel Acres, Oklahoma**  
Notes to Financial Statements  
June 30, 2011

**Note G – Grants and Reimbursements**

The Town received grants and reimbursements from the State of Oklahoma in the amount of \$ 16,207 in the current period.

**Note H – Capital Assets**

As of June 30, 2011, capital assets consist of the following.

|                                     |                  |
|-------------------------------------|------------------|
| Radios and accessories              | \$ 12,280        |
| Storm sirens, installation          | 38,128           |
| Lights, baseball field              | 4,981            |
| New fire truck                      | 213,936          |
| Parking lot @ Memorial Park         | <u>34,945</u>    |
| Current year acquisitions, at cost  | 304,270          |
| Less: Accumulated depreciation      | <u>14,917</u>    |
| Capital assets, net of depreciation | <u>\$289,353</u> |

Depreciation is computed utilizing the straight-line method over lives ranging from ten to twenty years.

**Note I – Subsequent Events**

Subsequent events have been evaluated through the financial statement issuance date of December 16, 2011, with no items reported.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedule – General Fund

Notes to RSI – Budgetary Comparison Schedule

**Town of Bethel Acres, Oklahoma**  
 Budgetary Comparison Schedule - Cash Basis  
 General Fund  
 For the Year Ended June 30, 2011

|                                                      | <u>Budgeted Amounts</u> |                | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive (Negative)</u> |
|------------------------------------------------------|-------------------------|----------------|---------------------------|---------------------------------------------------------------|
|                                                      | <u>Original</u>         | <u>Final</u>   |                           |                                                               |
| Resources (inflows)                                  |                         |                |                           |                                                               |
| Taxes                                                |                         |                |                           |                                                               |
| Franchise fees                                       | 81,294                  | 81,294         | 89,678                    | 8,384                                                         |
| Intergovernmental: Sales &<br>Alcoholic beverage tax | 10,500                  | 10,500         | 9,954                     | (546)                                                         |
| Licenses, permits                                    | 24,000                  | 24,000         | 37,575                    | 13,575                                                        |
| Investment income                                    | 23,570                  | 23,570         | 3,905                     | (19,665)                                                      |
| Grants, reimbursements                               | -                       | -              | 16,207                    | 16,207                                                        |
| Contributions, refunds                               | 1,120                   | 1,120          | 39,748                    | 38,628                                                        |
| Total resources (inflows)                            | <u>140,484</u>          | <u>140,484</u> | <u>197,067</u>            | <u>56,583</u>                                                 |

(Continued)

**Town of Bethel Acres, Oklahoma**  
 Budgetary Comparison Schedule - Cash Basis  
 General Fund  
 For the Year Ended June 30, 2011

|                                              | <u>Budgeted Amounts</u> |                | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive (Negative)</u> |
|----------------------------------------------|-------------------------|----------------|---------------------------|---------------------------------------------------------------|
|                                              | <u>Original</u>         | <u>Final</u>   |                           |                                                               |
| Charges to appropriations<br>(Outflows)      |                         |                |                           |                                                               |
| City Clerk/Treasurer                         | \$ 5,000                | 5,000          | 5,759                     | (759)                                                         |
| Attorney                                     | 7,400                   | 7,400          | 5,131                     | 2,269                                                         |
| General government                           |                         |                |                           |                                                               |
| Other services, charges                      | 65,600                  | 65,600         | 63,845                    | 1,755                                                         |
| Depreciation                                 | -                       | -              | 14,917                    | (14,917)                                                      |
| Total General Government                     | <u>78,000</u>           | <u>78,000</u>  | <u>89,652</u>             | <u>(11,652)</u>                                               |
| Police & Fire                                |                         |                |                           |                                                               |
| Fire:                                        |                         |                |                           |                                                               |
| Materials, supplies                          | <u>80,000</u>           | <u>80,000</u>  | <u>52,408</u>             | <u>27,592</u>                                                 |
| Auditor                                      | 3,500                   | 3,500          | 9,000                     | (5,500)                                                       |
| Oil & gas inspector                          | 7,000                   | 7,000          | 10,300                    | (3,300)                                                       |
| Mowing contractor                            | 8,400                   | 8,400          | 8,080                     | 320                                                           |
| Travel, mileage                              | 200                     | 200            | -                         | 200                                                           |
|                                              | <u>19,100</u>           | <u>19,100</u>  | <u>27,380</u>             | <u>(8,280)</u>                                                |
| Appropriations                               | <u>177,100</u>          | <u>177,100</u> | <u>169,440</u>            | <u>7,660</u>                                                  |
| Excess or deficit, revenues<br>less expenses | (36,616)                | (36,616)       | <u>27,627</u>             | <u>64,243</u>                                                 |
| Carryover of prior year                      | <u>36,616</u>           | <u>36,616</u>  |                           |                                                               |
|                                              | <u>-</u>                | <u>-</u>       |                           |                                                               |

**Town of Bethel Acres, Oklahoma**  
Notes To Required Supplemental Information  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2011

Budgetary Accounting

The Town prepares its budget for the General Fund on the cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the General Fund in the basic financial statements. All unexpended appropriations lapse at year end.

## **OTHER SUPPLEMENTARY INFORMATION**

Other supplementary information includes financial statements and schedules not required by GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Combining Statements – Non-major governmental funds

Budgetary Comparison Schedules - Non-major governmental funds

**Town of Bethel Acres, Oklahoma**  
Combining Balance Sheet - Cash Basis  
Nonmajor Governmental Funds  
June 30, 2011

Schedule 1

| <u>ASSETS</u>                                             | <u>Special<br/>Revenue Fund<br/>Street<br/>and Alley</u> |
|-----------------------------------------------------------|----------------------------------------------------------|
| Cash and cash equivalents                                 | \$ 203,308                                               |
| Investments                                               | <u>150,000</u>                                           |
| Total Assets                                              | <u><u>\$ 353,308</u></u>                                 |
| <br><u>FUND BALANCE</u><br><br>                           |                                                          |
| Unreserved, reported in nonmajor<br>special revenue funds | <u><u>\$ 353,308</u></u>                                 |

**Town of Bethel Acres, Oklahoma**

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Cash Basis  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2011

|                                                   | <u>Special<br/>Revenue Fund<br/>Street<br/>and Alley</u> |
|---------------------------------------------------|----------------------------------------------------------|
| Revenues                                          |                                                          |
| Intergovernmental                                 | \$ 27,343                                                |
| Investment income                                 | <u>909</u>                                               |
| Total Revenues                                    | <u>28,252</u>                                            |
| Expenditures                                      |                                                          |
| Street and alley expense                          | <u>350</u>                                               |
| Excess (deficiency) of revenues over expenditures | 27,902                                                   |
| Transfers in (out) - General Fund                 | (34,595)                                                 |
| Fund balance - beginning of period                | <u>360,001</u>                                           |
| Fund balance - end of period                      | <u><u>\$ 353,308</u></u>                                 |

**Town of Bethel Acres, Oklahoma**  
 Budgetary Comparison Schedule - Cash Basis  
 Budgeted Nonmajor Governmental Funds  
 For the Year Ended June 30, 2011

|                                            | Special Revenue Fund<br>Street and Alley |        |                   |                                                      |
|--------------------------------------------|------------------------------------------|--------|-------------------|------------------------------------------------------|
|                                            | Budgeted Amounts                         |        | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive (Negative) |
|                                            | Original                                 | Final  |                   |                                                      |
| Resources (Inflows):                       |                                          |        |                   |                                                      |
| Taxes                                      | 11,000                                   | 11,000 | 27,343            | 16,343                                               |
| Investment income                          | -                                        | -      | 909               | 909                                                  |
|                                            |                                          |        |                   |                                                      |
| Amounts available for<br>appropriation     | 11,000                                   | 11,000 | 28,252            | 17,252                                               |
| Streets:                                   |                                          |        |                   |                                                      |
| Material & supplies                        | -                                        | -      | 350               | (350)                                                |
|                                            |                                          |        |                   |                                                      |
| Total charges to<br>Appropriations         | -                                        | -      | 350               | (350)                                                |
|                                            |                                          |        |                   |                                                      |
| Excess (deficit) Revenues<br>Over expenses | 11,000                                   | 11,000 | 27,902            | 16,902                                               |

**INTERNAL CONTROL AND COMPLIANCE SECTION**

**SAMUEL S. ALEXANDER**

Certified Public Accountant

**Report On Compliance and on Internal Control Over Financial Reporting**  
**Based on an Audit of Financial Statements Performed in**  
**Accordance with *Government Audit Standards***

Honorable Mayor and Members  
Of the Board of Trustees  
Town of Bethel Acres  
Shawnee, Oklahoma

I have audited the basic financial statements of the Town of Bethel Acres, Oklahoma (the Town), as of and for the year ended June 30, 2011, and have issued my report thereon dated December 16, 2011. The report was a special report on the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and included a disclaimer of opinion on fixed assets and on required supplementary information. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance required to be reported under *Government Audit Standards* described in the accompanying schedule of findings as item 07-02.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Town's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying schedule of findings as item 07-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider 07-01 not to be a material weakness and 07-02 to be a material weakness.

This report is intended solely for the information of the Board of Trustees and management of the Town of Bethel Acres, Oklahoma, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Samuel S. Alexander CPA". The signature is written in a cursive style with a large initial "S".

Samuel S. Alexander  
Certified Public Accountant

December 16, 2011

## Town of Bethel Acres, Oklahoma

Schedule of Findings  
Year Ended June 30, 2011

### Reportable Conditions of Internal Control

#### 07-01 Segregation of Duties

*Criteria:* The segregation of incompatible financial duties is important to adequately protect the Town's assets and ensure accurate financial reporting.

*Condition:* Presently the same individual receiving cash also posts payments and adjustments to subsidiary accounts receivable and accounts payable ledgers. This is a repeat condition from prior years.

*Cause:* The Town's limited population and resources result in its inability to provide sufficient staffing to fully segregate incompatible duties.

*Effect:* Without proper segregation of duties, the risk increases that errors and fraud related to the collection and expenditure activities could occur and not be detected within a timely basis.

*Recommendation:* Efficient segregation of duties in a small town environment is often difficult. However, the governing body and Town management should be aware of this risk associated with the lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible. Such control could consist of independent bank account reconciliation reviews, revenue posting report reviews, payment posting report reviews and adjusting entry reviews.

## Town of Bethel Acres, Oklahoma

Schedule of Findings

Year Ended June 30, 2011

### Compliance

07-02 Encumbrance Accounting – 62 O.S. 2001 Section 310.1

*Criteria:* State law requires that purchases orders and contracts shall be submitted, prior to the time the commitment is made, to the encumbering clerk who shall certify that appropriation is available in the accounts to be charged and record the encumbrance against the appropriation accounts.

*Condition:* For all practical purposes, purchase orders are not encumbered against appropriations at the time the commitment is incurred. Primarily, the purchase orders are used to document approval of payment for claims.

*Effect:* This lack of true encumbering can result in the inability to adequately determine if appropriations are available prior to purchase of goods or services. Noncompliance also results in the inability to present encumbrances as expenditures in the “budgetary comparison” financial statements as is implied by State law.

*Recommendation:* The Town management and governing body may wish to take advantage of a provision in State law allowing for a Town ordinance to prescribe alternative purchasing policies and procedures. With such an ordinance, a motion to amend the encumbering requirements could be adopted as long as other adequate budgetary controls exist. Otherwise, I recommend the Town begin properly encumbering to ensure that appropriation is available prior to purchase of goods and services.